



**GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Contents
June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
Massachusetts Growth Capital Corporation:

Opinion

We have audited the general purpose financial statements of the business-type activities of Massachusetts Growth Capital Corporation (a component unit of the Commonwealth of Massachusetts) (MGCC), as of and for the years ended June 30, 2022 and 2021, and the related notes to the general purpose financial statements, which collectively comprise MGCC's basic general purpose financial statements as listed in the table of contents.

In our opinion, the accompanying general purpose financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Massachusetts Growth Capital Corporation as of June 30, 2022 and 2021, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MGCC 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.

Emphasis of Matter

As discussed in Note 2 to the general purpose financial statements, effective of July 1, 2020, MGCC adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires MGCC to recognize an intangible right-to-use asset and liability for their facility lease. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the general purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 general purpose financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the general purpose 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 general purpose 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 MGCC'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 general purpose financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about MGCC'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic general purpose financial statements. Such information is the responsibility of management and, although not a part of the basic general purpose 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 general purpose financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic general purpose financial statements, and other knowledge we obtained during our audit of the basic general purpose 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the general purpose financial statements as a whole. The accompanying supplemental information on pages 25 and 26 as of and for the year ended June 30, 2022, is presented for purposes of additional analysis and is not a required part of the basic general purpose financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic general purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic general purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic general purpose financial statements or to the basic general purpose financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information on pages 25 and 26 is fairly stated in all material respects in relation to the basic general purpose financial statements as a whole.

AAFCPA, Inc.

Boston, Massachusetts
November 3, 2022

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Management's Discussion and Analysis
June 30, 2022 and 2021

Our discussion and analysis of Massachusetts Growth Capital Corporation's (MGCC) financial performance provides an overview of MGCC's financial activities for the year ended June 30, 2022. Please read it in conjunction with MGCC's general purpose financial statements, which begin on page 8.

Basic General Purpose Financial Statements

The financial activities for the year ended June 30, 2022, are included in a series of general purpose financial statements. In accordance with the Governmental Accounting Standards Board standard, *Basic Financial Statement - Management's Discussion and Analysis for State and Local Governments*, MGCC is considered a quasi-public entity that engages in only business-type activities. In accordance with this standard, MGCC issues a Statement of Net Position, a Statement of Revenues and Expenses, a Statement of Changes in Net Position, and a Statement of Cash Flows. These statements provide information about the financial activities of MGCC as a whole. Combining schedules showing the consolidation of specific restricted funds are included as supplemental information, presented on pages 25 and 26.

MGCC is a component unit of the Commonwealth of Massachusetts (the Commonwealth) that was formed on October 1, 2010, from the combination of two pre-existing entities, the Massachusetts Community Development Finance Corporation (MCDFC) and the Economic Stabilization Trust Fund (EST), as required by Chapter 40W of the Massachusetts General Laws. All assets, liabilities and obligations from MCDFC and EST were transferred to MGCC as of October 1, 2010. The purpose of the merger was to expand upon the success and the mission of the predecessor entities and to recapitalize the merged organization. MGCC functions as a one-stop resource for debt financing for small businesses, including woman- and minority-owned businesses and community development efforts. The purpose of MGCC is to create and preserve jobs and promote economic development, especially in underserved, gateway municipalities, and low and moderate-income communities.

By the terms of its enabling legislation, MGCC is governed by a twelve-member Board of Directors. The Board is chaired by the Secretary of Housing and Economic Development, with the Secretary of Administration and Finance (A&F) as a director, along with ten other persons appointed by the Governor. Ten members have been appointed and confirmed as of the date of this report; there are two members whose terms have expired and we are awaiting re-appointment.

MGCC operates on a June 30 fiscal year basis.

Statements of Net Position, Revenues and Expenses, and Changes in Net Position

The Statement of Net Position and the Statement of Revenues and Expenses include all assets, liabilities, net position, revenues and expenses of MGCC as a whole. This activity is recorded using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Under the accrual basis of accounting, revenues and expenses are recognized when earned or incurred regardless of when the cash is paid or received. Additionally, these statements report changes in MGCC's net position. MGCC's net position, difference between assets and liabilities, represents one way to measure MGCC's financial health or its financial position. You will also need to consider other non-financial factors when considering the overall financial health of MGCC.

The Supplemental Statement of Revenues, Expenses and Changes in Net Position shown within this report accounts for five basic fund groups, which all are considered restricted in nature. Brief explanations of these fund categories are as follows:

MGCC: In its initial year, MGCC received \$15,000,000 in new capital from the Emerging Technology Fund administered by Mass Development. Capital also included accumulated net resources from MCDFC and EST transferred on October 1, 2010. These funds are restricted for the general purposes of MGCC as outlined in its enabling legislation.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Management's Discussion and Analysis
June 30, 2022 and 2021

Statements of Net Position, Revenues and Expenses and Changes in Net Position (Continued)

MGCC: (Continued)

Federal Title IX Revolving Loan Fund #1: The fund was capitalized in fiscal year 1993 with a \$2,000,000 grant from the Economic Development Administration of the U.S. Department of Commerce (EDA). Additionally, a contractual match of \$667,000 was initially provided by the former EST, for a total capitalization of \$2,667,000. During fiscal year 2022, MGCC received notification to release the Federal obligation of the program. This program closed on February 7, 2022, at which point all remaining financial assets were transferred to MGCC.

Federal Title IX Revolving Loan Fund #2: The fund was capitalized in fiscal year 1998 with a \$2,000,000 grant from EDA. Additionally, a contractual match of \$667,000 was initially provided by the former EST, for a total capitalization of \$2,667,000. During fiscal year 2022, MGCC received notification to release the Federal obligation of the program. This program closed on February 7, 2022, at which point all remaining financial assets were transferred to MGCC.

Federal Title IX Revolving Loan Fund #3: In fiscal year 2021, MGCC applied for, and was awarded, a \$4,147,000 grant from EDA. As of June 30, 2022, MGCC has requested, and received, \$1,282,688 and forfeited the remaining award amount. Currently, there are RLF loan borrowers with a total outstanding loan balance of \$925,327.

State Small Business Credit Initiative: In 2010, the "Small Business Jobs Act of 2010" created the State Small Business Credit Initiative (SSBCI) and appropriated \$1.5 billion. Massachusetts' allocation was approximately \$22 million, of which approximately \$14 million was allocated for MGCC. MGCC has matched the principal of loans made with SSBCI capital on a 50/50 basis.

COVID-19 Recovery Loan Fund: During fiscal year 2020, MGCC provided a \$20,000,000 emergency loan fund with loans up to \$75,000 to Massachusetts small businesses impacted by COVID-19. This fund was capitalized with \$10,000,000 from MGCC and a \$10,000,000 loan from Massachusetts Development Finance Agency (MDFA). These are three-year loans with no payments for six months, followed by thirty months of principal and interest, with an interest rate of 3%. As of June 30, 2022, there are twenty-seven borrowers, with a total loan amount of \$1,046,862, that have not applied for loan forgiveness.

Small Business Administration (SBA): MGCC has entered into two contracts with the U.S. Small Business Administration on April 13, 2017 and October 29, 2019, acting as its intermediary microloan lender and has committed funding up to \$350,000 for each contract. The program is for loans under \$50,000 to small businesses in Massachusetts. As of June 30, 2022, MGCC has fully drawn the \$350,000 on each contract. Currently, there are eleven microloan borrowers with a total outstanding loan balance of \$264,548. Total interest earned in fiscal year 2022 was \$21,684.

Federal Title IX Revolving Loan Funds and SSBCI are accounted for as separate components of restricted net position. The remaining net position is restricted within the mandates of MGCC enabling legislation.

MGCC received a \$7,000,000 grant for Technical Assistance and Training for fiscal year 2022. MGCC issued \$6,625,000 in grants.

MGCC has additional lending capacity through a line of credit that is maintained with Rockland Trust Company (formerly East Boston Savings Bank) for borrowings up to \$10,000,000.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Management's Discussion and Analysis
June 30, 2022 and 2021

Statements of Net Position, Revenues and Expenses and Changes in Net Position (Continued)

MGCC: (Continued)

COVID-19 Relief Grant Programs: During fiscal year 2021, due to the urgent need to help thousands of small businesses in Massachusetts during the pandemic, MGCC was assigned and awarded approximately \$752,100,000 through eight contracts with various Massachusetts agencies. As of June 30, 2022, MGCC has received \$751,856,500 from those contracts and has distributed \$702,754,582 in total to approximately over fifteen thousand small businesses throughout the Commonwealth. MGCC paid out approximately \$20,000,000 of these funds during fiscal year 2022 for grants. During fiscal year 2022, MGCC received approval from the Commonwealth to utilize a portion of the remaining funds to forgive COVID-19 recovery loans, which totaled approximately \$16,900,000. MGCC also returned approximately \$14,200,000 to the Commonwealth. During fiscal year 2022, MGCC received an additional three new contracts totaling approximately \$77,000,000. During fiscal year 2022, MGCC received \$39,500,000 of these contracts and paid out \$37,325,000 of qualifying grants. As of June 30, 2022, MGCC has a grant receivable of \$33,760,609, a grant payable of \$37,868,707 and deferred revenue of \$8,327,922 relating to these contracts.

Condensed Financial Information

Assets total \$97,060,922. The major components are:

Cash and Cash Equivalents - Restricted: MGCC began the fiscal year with a total of \$62,364,414 in cash. At June 30, 2022, cash totaled \$58,679,360. The net decrease of \$3,685,054 was primarily due to grant payable balance of COVID-19 relief grants carried over and distributed in fiscal year 2022, net repayments exceeding new loans funded and an increase in early payoffs, and \$782,687 received from the EDA for Revolving Loan Fund #3.

Loans Receivable: Loans receivable at June 30, 2022, totaled \$7,482,366 a net decrease of \$23,708,905 from the previous year's \$31,191,271. The decrease was due to \$16,198,901 of COVID-19 recovery loan forgiveness plus \$6,469,634 in principal payments, including early payoffs of \$5,022,431 and \$2,315,370 of loans written-off during fiscal year 2022. MGCC disbursed \$1,275,000 in five new loans and advances within its existing loan portfolio.

In the prior fiscal year, principal payments totaled \$6,461,315, including early payoffs of \$3,987,969, and closed two loans totaling \$100,000.

The loan loss reserve decreased to \$3,272,602 or 43.7% of loans receivable from \$5,020,984 or 16.1% due to the vigorously continued monitoring of the portfolio and its risk. Ratings are reviewed quarterly and appropriate reserves established based on a risk rating matrix and understanding of collateral.

Grants Receivable: Grant receivable, totaled \$33,760,325, consisted of awarded and billed grants not yet received as of June 30, 2022.

Liabilities total \$47,982,614. The major components are:

Grants Payable: Grants payable, totaled \$37,868,707, consisted of awarded grants not yet distributed as of June 30, 2022, including \$37,702,658 from COVID-19 Relief Grants and \$166,049 from Small Business Technical Assistance (SBTA).

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Management's Discussion and Analysis
June 30, 2022 and 2021

Condensed Financial Information (Continued)

Massachusetts Development Finance Agency (MDFA): The contract commenced on March 10, 2020, with a \$10,000,000 Small Business Recovery Loan Fund (the COVID-19 Recovery Loan Fund) from MDFA to provide emergency capital up to \$75,000 to Massachusetts-based businesses impacted by COVID-19 with under fifty full- and part-time employees, including nonprofits. The purpose of the program is consistent with MDFA's core mission of job creation and economic development and due a pressing need to provide additional funding to this sector of the economy on an expedited basis in order to save jobs and prevent small businesses from closing their doors entirely. MGCC contributed an additional \$10,000,000. Together, a total of \$20,000,000 is administered as a single fund. MGCC has the responsibility to review loan applications, underwrite, close, and service these loans. Both parties have equal rights to the repayments of principal and interest received on loans made from the COVID-19 Recovery Loan Fund. MGCC will provide MDFA with a quarterly report on the loans made from the COVID-19 Recovery Loan Fund. Starting on January 15, 2021, MGCC wired MDFA's fifty percent share of the repayments of principal and interest to MDFA on a quarterly basis. As of June 30, 2022, the outstanding balance on this loan was \$1,001,298.

Deferred Grant Revenue: Deferred grant revenue, totaled \$8,327,922, consisted of deferred revenue from awarded grants not yet distributed as of June 30, 2022, primarily from COVID-19 Relief Grants.

SBA Notes Payable: The contract commenced on April 13, 2017, with a loan from the U.S. Small Business Administration (SBA) for \$350,000. As of June 30, 2022, MGCC has drawn the entire loan amount of \$350,000. MGCC is required to match 15% of the amount drawn and keep it in a separate bank account as the Loan Loss Reserve Fund. MGCC started paying back in May 2018. Outstanding balance due to SBA as of June 30, 2021, was \$202,776. On October 29, 2020, MGCC received a second contract from SBA totaling \$350,000 under the same terms. During fiscal year 2022, MGCC drew down the entire \$350,000. MGCC started paying back in October 2021. Outstanding balance due to SBA as of June 30, 2022, was \$321,277.

Accounts Payable, Accrued Expenses and Other: Accounts payable, accrued expenses and other liabilities at June 30, 2022, totaled \$225,686 compared to \$216,939 for the prior year. The increase of \$8,747 was due to monthly net increase in accrued wages and accrued vacation.

Revenues: Operating revenues for 2022 totaled \$6,640,716 compared to \$8,866,446 for the prior year, a decrease of \$2,225,730. The major components of the overall decrease are grant income of \$1,988,223 relating to the COVID-19 Relief Grant Program and the SBTA program, \$484,205 of interest income on loans and \$177,052 of interest on cash reserves, offset with an increase of loan fee income of \$216,062.

Expenses: Operating expenses for the year ended June 30, 2022, totaled \$5,231,569 compared to \$5,233,910 for the prior year, a decrease of \$2,341. Due to the effort of rescuing as many small businesses as possible during the COVID-19 pandemic, MGCC utilized all available possible resources to distribute a total of approximately \$69,000,000 to over a thousand small businesses. Employee compensation and related payroll taxes and benefits decreased by \$251,556, information technology increased by \$80,618, professional fees increased by \$93,118, insurance increased by \$53,035, dues and memberships increased by \$49,145 and contract services decreased by \$34,963.

Net income from operations for 2022 and 2021 before loan loss recovery (provision) was \$1,409,147 and \$3,632,536, respectively.

MGCC had a decrease in the loan loss reserve of \$1,748,382 in 2022, compared to an increase of \$276,469 in 2021. MGCC had an increase in write-offs from no write-offs in 2021 to \$2,315,370 of write-offs in 2022.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Management's Discussion and Analysis
June 30, 2022 and 2021

Analysis of Significant Variations Between Original and Budgeted Amounts

Revenues ended the year with a net of \$1,452,682 more than the budget. Portfolio income was continually off-budget by \$635,682 due to the small number of loan closings, only five new loans with total amounts of \$1,275,000, and significant numbers of loan pay offs, seventeen loans with total amounts of \$6,469,634, resulting in a much lower loan volume. Investment income was also off-budget by \$506,109 due to an almost-zero percent interest rate and much less cash balance in bank accounts compared to those in fiscal year 2021. However, this was offset by grant income of \$3,799,864 and an increase in loan recovery income of \$379,129.

Our overall loan portfolio ended the year at \$7,482,366. The lower loan portfolio outstanding was due to the forgiveness of recovery loans of \$16,198,901; a much lower than anticipated loan volume due to the competitive lending environment and remnant effects of the pandemic; and MGCC having no additional loan officers, just two new credit analysts.

Operating expenses were higher than budget by \$1,513,922. This was due to a significant increase in payroll and benefits of \$556,301, in staffing of \$568,680, in information technology of \$176,392, in professional fees of \$217,022 to operate COVID-19 grant funding. This was offset by a small decrease in other expenses due to less loan activity, travel, meetings and sponsorships.

Subsequent Events

MGCC is currently performing the compliance on the 2021 Small Business Grants that it provided to approximately 15,000 business in the Commonwealth. This work will wrap up in December 2022 with final reporting early in 2023.

During fiscal year 2023, MGCC received another \$1,000,000 as part of the COVID-19 Small Business grants.

MGCC will be receiving approximately \$76,000,000 from the Commonwealth's allotment of the State Small Business Credit Initiative. This money will come in three tranches with the first expected in November 2022, and each successive tranche within three years of each other. This program is strictly for lending purposes, including MGCC's traditional lending, as well as a new guarantee program.

MGCC received \$33,760,609 and distributed \$31,861,316 related to fiscal year 2022 awards for the Small Business Grant Program and the Inclusive Grant Business Program which were outstanding as of June 30, 2022.

During fiscal year 2023, the Small Business Technical Assistance program that is funded via the Commonwealth's annual operating budget was approved for a record \$7,000,000 for fiscal year 2023.

Fiscal Year 2023 Outlook

Fiscal year 2023 will continue to be a challenge on the lending front as the banks continue to be aggressive and the COVID-19 relief monies are running out. For MGCC, we see our role continuing to support small businesses through our lending, as well as supporting the technical assistance organizations throughout the Commonwealth. We feel that for the first half of the year lending will continue to be slow as the Federal stimulus monies continue to support small businesses and the appetite for debt is very light. We anticipate lending to pick up late in the year as the rising interest rates will begin to negatively impact borrowers and banks, while assessing their portfolios, will begin to stress test their portfolios and limit credit to marginal borrowers. Any tightening of credit will enhance MGCC's lending activities. Historically when this happens, MGCC, as an alternative lender, begins to get very busy. We will utilize our existing products, as well as our REEF product to react to the challenging financing environment to assist small businesses in the Commonwealth.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Management's Discussion and Analysis
June 30, 2022 and 2021

Fiscal Year 2023 Outlook (Continued)

We will closely be working with our partners to continue to strengthen the small business support and ecosystem in the Commonwealth. MGCC will continue to concentrate on assisting women- and minority-owned companies, and companies located in Gateway Cities. We will increase our contacts with our existing and new partners to expand access to capital and expand our reach.

Overall, we expect that fiscal year 2023 will continue to be a challenging, yet successful, year for MGCC. We will continue to fulfill our mission and assist small businesses with both remaining grants and new lending programs.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Statements of Net Position
June 30, 2022 and 2021

Assets	2022	(As Restated) 2021
Current Assets:		
Cash and cash equivalents - restricted	\$ 58,679,360	\$ 62,364,414
Accounts receivable	-	10,278
Grants receivable	33,760,325	16,606,088
Current portion of loans receivable, net of allowance for uncollectible loans of approximately \$1,306,000 and \$1,705,000 at June 30, 2022 and 2021, respectively	1,742,925	19,614,112
Accrued interest receivable on loans, net of allowance for uncollectible amounts of approximately \$80,000 and \$89,000 at June 30, 2022 and 2021, respectively	272,688	598,310
Prepaid expenses and other	37,876	90,451
Total current assets	94,493,174	99,283,653
Loans Receivable, net of current portion and allowance for uncollectible loans of approximately \$1,967,000 and \$3,196,000 at June 30, 2022 and 2021, respectively	2,466,839	6,556,175
Right-to-Use Asset - facility lease, net	32,824	229,770
Capital Assets, net	68,085	70,250
Total assets	<u>\$ 97,060,922</u>	<u>\$ 106,139,848</u>
Liabilities and Net Position		
Current Liabilities:		
Accounts payable, accrued expenses and other	\$ 225,686	\$ 216,939
Current portion of notes payable	572,773	8,454,320
Current portion of lease liability	34,948	203,377
Deferred revenue	8,327,922	5,890,392
Grants payable	37,868,707	43,068,122
Total current liabilities	47,030,036	57,833,150
Lease Liability, net of current portion	-	34,948
Notes Payable, net of current portion	952,578	826,335
Total liabilities	<u>47,982,614</u>	<u>58,694,433</u>
Net Position:		
Restricted - State Small Business Credit Initiative	-	15,056,297
Restricted - Federal Title IX RLF	832,317	4,655,956
Restricted - SBA Revolving Loan Fund	61,911	41,638
Restricted - COVID-19 Recovery Loan Fund	(404,267)	(1,336,003)
Restricted by enabling legislation	48,588,347	29,027,527
Total net position	49,078,308	47,445,415
Total liabilities and net position	<u>\$ 97,060,922</u>	<u>\$ 106,139,848</u>

The accompanying notes are an integral part of these general purpose statements.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Statements of Revenues and Expenses
For the Years Ended June 30, 2022 and 2021

	2022	(As Restated) 2021
Operating Revenues:		
Grant revenue - COVID-19 - admin fee	\$ 4,885,176	\$ 6,799,269
Interest income on loans	785,489	1,269,694
State appropriations - admin fee	375,000	449,130
Loan origination fees and other	274,116	58,054
Grant revenue - EDA - admin fee	207,688	-
Interest income on cash reserves	113,247	290,299
	<u>6,640,716</u>	<u>8,866,446</u>
Total operating revenues		
Operating Expenses:		
Employee compensation	3,346,365	3,597,921
Contract services	568,680	603,643
Information technology	411,392	330,774
Professional fees	352,023	258,905
Amortization of right-to-use lease asset	196,946	196,946
Insurance	74,186	21,151
Other expenses	71,068	71,631
Dues and memberships	67,606	18,461
Supplies	55,728	46,228
Depreciation	18,360	22,792
Portfolio and credit administration	15,365	6,449
Telephone	13,531	10,548
Printing and postage	11,611	11,208
Interest expense	8,826	16,668
Occupancy	8,811	13,812
Meetings	5,873	6,453
Travel	5,198	320
	<u>5,231,569</u>	<u>5,233,910</u>
Total operating expenses		
Changes in net position from operations before loan loss recovery (provision)	1,409,147	3,632,536
Loan Loss Recovery	379,129	232,384
Loan Loss Provision	<u>(730,382)</u>	<u>(298,796)</u>
Changes in net position from operations	<u>1,057,894</u>	<u>3,566,124</u>
Non-Operating Revenue (Expenses):		
Grant revenue - COVID-19	69,016,965	722,025,848
State appropriations	6,625,000	8,685,478
Grant revenue - EDA	574,999	500,000
Grant expense	(6,625,000)	(8,705,478)
Grant expense - COVID-19	<u>(69,016,965)</u>	<u>(722,025,848)</u>
Total non-operating revenue (expenses)	<u>574,999</u>	<u>480,000</u>
Changes in net position	<u>\$ 1,632,893</u>	<u>\$ 4,046,124</u>

The accompanying notes are an integral part of these general purpose statements.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Statements of Changes in Net Position
For the Years Ended June 30, 2022 and 2021

Net Position, June 30, 2020	\$ 43,399,291
Changes in net position, as restated	<u>4,046,124</u>
Net Position, June 30, 2021, as restated	47,445,415
Changes in net position	<u>1,632,893</u>
Net Position, June 30, 2022	<u><u>\$ 49,078,308</u></u>

MASSACHUSETTS GROWTH CAPITAL CORPORATION

 Statements of Cash Flows
 For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>(As Restated) 2021</u>
Cash Flows from Operating Activities:		
Receipts of grant revenue - COVID-19 - admin fee	\$ 4,885,176	\$ 6,799,269
Receipts of interest income	1,060,964	1,388,245
Receipts from State appropriation - admin fee	375,000	449,130
Receipts of loan origination and other fees	284,394	54,130
Receipts of grant revenue - EDA - admin fee	207,688	-
Payments for employee compensation	(3,310,564)	(3,559,758)
Payments for supplies and services	(1,638,008)	(1,360,399)
Interest payments to lessor	(6,369)	(14,868)
Net cash provided by operating activities before state appropriation and grant expense	<u>1,858,281</u>	<u>3,755,749</u>
State appropriation	6,625,000	8,685,478
Grant expense	(6,625,000)	(8,705,478)
Net cash provided by operating activities	<u>1,858,281</u>	<u>3,735,749</u>
Cash Flows from Investing Activities:		
Grant expense - COVID-19	(58,017,499)	(678,957,726)
Loans disbursed	(1,275,000)	(225,000)
Loan recoveries	379,129	232,384
Proceeds from loan repayments	6,469,634	6,461,315
Acquisition of capital assets	(16,195)	(62,996)
Net cash used in investing activities	<u>(52,459,931)</u>	<u>(672,552,023)</u>
Cash Flow from Financing Activities:		
Grant revenue - COVID-19	54,300,278	711,310,152
Grant revenue - EDA	574,999	500,000
Principal payment of lease liability	(203,377)	(188,391)
Proceeds from notes payable	350,000	-
Payments on notes payable	(8,105,304)	(1,004,255)
Net cash provided by financing activities	<u>46,916,596</u>	<u>710,617,506</u>
Net Change in Cash and Cash Equivalents - Restricted	(3,685,054)	41,801,232
Cash and Cash Equivalents - Restricted:		
Beginning of year	<u>62,364,414</u>	<u>20,563,182</u>
End of year	<u>\$ 58,679,360</u>	<u>\$ 62,364,414</u>
Cash Flows from Operating Activities:		
Changes in net position	\$ 1,632,893	\$ 4,046,124
Adjustments to reconcile changes in net position to net cash provided by operating activities:		
Depreciation	18,360	22,792
Amortization of right-to-use lease asset	196,946	196,946
Loan loss recovery	(379,129)	(232,384)
Loan loss provision	730,382	298,796
Grant revenue - EDA	(574,999)	(500,000)
Changes in operating assets and liabilities:		
Accounts receivable	10,278	(3,924)
Accrued interest receivable	162,228	(171,748)
Prepaid expenses and other	52,575	(181)
Accounts payable, accrued expenses and other	8,747	79,328
Net cash provided by operating activities	<u>\$ 1,858,281</u>	<u>\$ 3,735,749</u>

The accompanying notes are an integral part of these general purpose statements.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

Massachusetts Growth Capital Corporation (MGCC) is a component unit of the Commonwealth of Massachusetts (the Commonwealth) formed on October 1, 2010, under Chapter 40W of the Massachusetts General Laws. Chapter 40W effectively merged two pre-existing entities, Massachusetts Community Development Finance Corporation (MCDFC) and Economic Stabilization Trust Fund (EST). MGCC is exempt from Federal and state income taxes. The purpose of the legislation was to expand upon the success and the mission of the predecessor entities and to recapitalize the new organization. MGCC functions as a one-stop resource for debt financing for small businesses. The purpose of MGCC is to create and preserve jobs and promote economic development throughout the Commonwealth, with special attention paid to small business needs in underserved areas, gateway cities, and low- and moderate-income communities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - GASB Standards

The accompanying general purpose financial statements were prepared on the accrual basis of accounting. Because MGCC is a quasi-public corporation, its accounting policies and general purpose financial statement presentation is governed by standards issued by the Governmental Accounting Standards Board (GASB). MGCC follows GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*. This standard outlines financial reporting requirements for state and local governments. MGCC is considered a special purpose government organization that conducts only business-type activities within the meaning of this standard, and therefore, only has enterprise funds within its proprietary fund within the meaning of GASB No. 34. MGCC has no governmental funds. As such, MGCC is not required to present government-wide financial statements, but rather only the accompanying fund general purpose financial statements. In applying the provisions of this standard, organizations like MGCC can use standards applicable to proprietary fund accounting, and are not required to follow the provisions of governmental fund accounting.

MGCC follows the GASB standard, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. In accordance with GASB No. 62, MGCC has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB codifications. References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC) and the GASB Codification.

Accounting Principal Adoption

On July 1, 2020, MGCC adopted GASB Statement No. 87, *Leases* (GASB 87), which requires MGCC to recognize an intangible right-to-use lease asset and lease liability for their facility lease (see page 14, and Notes 4 and 9).

Accordingly, the fiscal year 2021 general purpose financial statements have been restated as follows:

<u>Statement of Revenues and Expenses</u>	<u>2021 As Reported</u>	<u>Effect of Adoption</u>	<u>2021 As Adjusted</u>
Operating expenses	<u>\$ 5,225,355</u>	<u>\$ 8,555</u>	<u>\$ 5,233,910</u>
Changes in net position	<u>\$ 4,054,679</u>	<u>\$ (8,555)</u>	<u>\$ 4,046,124</u>

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Principal Adoption (Continued)

<u>Statement of Net Position</u>	<u>2021 As Reported</u>	<u>Effect of Adoption</u>	<u>2021 As Adjusted</u>
Right-to-Use Lease Asset - facility lease, net	\$ -	\$ 229,770	\$ 229,770
Current portion of lease liability	\$ -	\$ 203,377	\$ 203,377
Lease liability, net of current portion	\$ -	\$ 34,948	\$ 34,948
Net position	\$ 47,453,970	\$ (8,555)	\$ 47,445,415

Cash and Cash Equivalents - Restricted

For the purpose of the statements of cash flows, cash and cash equivalents - restricted consist of checking, money market, savings accounts and amounts held in the Massachusetts Municipal Depository Trust (MMDT) cash portfolio (see Note 3). Cash and cash equivalents - restricted include amounts restricted for certain lending and grant programs, loan matching requirements and loan commitments and holdbacks.

The MMDT cash portfolio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner as a qualifying external investment pool as defined by GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The MMDT cash portfolio adheres to GASB Statement 79 (GASB 79), *Certain External Investment Pools and Pool Participants*, which amends Statement 31 and establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Under the amortized cost valuation method, an investment is valued initially at its cost and thereafter adjusted for the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity.

Grants Receivable and Allowance for Uncollectible Grants

Grants receivable includes amounts earned on grants paid or committed to be paid to grantees, but have not yet been paid to MGCC. The allowance for doubtful accounts is based on management's estimate and collection history with the related funders. There was no allowance recorded as of June 30, 2022 and 2021.

Loans Receivable and Allowance for Uncollectible Loans

Loans receivable are stated net of an allowance for uncollectible loans (see Notes 5 and 6). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding. The allowance for uncollectible loans and interest is established through a provision for loan losses charged to operations. The allowance is an amount that management believes will be adequate to absorb expected losses on existing loans that may become uncollectible. Management evaluates loan collectability through consideration of factors, such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower's ability to repay.

Guarantees

Guarantees are accrued for when the loss is probable.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Purchased capital assets are comprised of furniture and equipment and are recorded at cost. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over estimated useful lives of three to seven years.

Leases

MGCC accounts for any lease (see Note 9) with a term greater than one year in accordance with GASB 87, *Leases*. Accordingly, the net present value of the estimated future minimum payments are reflected as a right-to-use asset and lease liability for the lessee. The right-to-use assets will be recognized on a straight-line basis over the lesser of the life of the asset or the remaining lease period.

Grants Payable

Grants payable are recorded when a grantee has been identified and value of the grant has been determined.

Deferred Revenue

Deferred revenue consists of grant advances. These amounts will be recognized as revenue when the grants have been committed.

Estimates

The preparation of general purpose financial statements in accordance 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 and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Position

MGCC's financial resources are restricted as follows:

State Small Business Credit Initiative - The fund was capitalized in fiscal year 2012 with funds received from the Commonwealth. MGCC has received funding totaling \$14,002,536. MGCC has matched the principal of loans made with this capital on a 50/50 basis. The net position balance was \$15,056,297 as of June 30, 2021. During fiscal year 2022, the program ended and remaining net assets were transferred to the restricted by enabling legislation fund.

Federal Title IX Revolving Loan Fund (RLF) #1 - The fund was capitalized in fiscal year 1993 with a \$2,000,000 grant from the Economic Development Administration of the U.S. Department of Commerce (EDA). Additionally, a contractual match of \$667,000 was initially provided by the former EST, for a total capitalization of \$2,667,000. The net position balance was \$1,688,115 as of June 30, 2021. During fiscal year 2022, MGCC received notification from EDA releasing the Federal requirement. All net assets were transferred to the restricted by enabling legislation fund during February 2022.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of Net Position (Continued)

Federal Title IX Revolving Loan Fund (RLF) #2 - The fund was capitalized in fiscal year 1998 with a \$2,000,000 grant from EDA. Additionally, a contractual match of \$667,000 was initially provided by the former EST, for a total capitalization of \$2,667,000. The net position balance was \$2,467,841 as of June 30, 2021. During fiscal year 2022, MGCC received notification from EDA releasing the Federal requirement. All net assets were transferred to the restricted by enabling legislation fund during February 2022.

Federal Title IX Revolving Loan Fund (RLF) #3 - During fiscal year 2021, MGCC was awarded a grant from EDA of \$3,770,000 to capitalize the fund and \$377,000 to cover administration costs to run the fund. During fiscal years 2022 and 2021, MGCC drew down \$782,687 (including \$207,688 in administrative fees) and \$500,000, respectively. The remaining balance of the award was forfeited. The net position balance was \$832,317 and \$500,000 as of June 30, 2022 and 2021, respectively.

Small Business Administration (SBA) - MGCC has entered into a contract with the U.S. Small Business Administration on April 13, 2017, acting as its intermediary microloan lender and has committed funding up to \$350,000. The program is for loans under \$50,000 to small businesses in Massachusetts (see Note 5). As of June 30, 2022 and 2021, MGCC has drawn \$350,000. In October 2019, MGCC received an additional \$350,000 contract from SBA for microloans, MGCC drew down all \$350,000 during fiscal year 2022. As of June 30, 2022 and 2021, there were eleven microloan borrowers with a total outstanding loan balance of \$264,548 and \$305,330, respectively. The net position balance was \$61,911 and \$41,638 as of June 30, 2022 and 2021, respectively.

COVID-19 Recovery Loan Fund - During fiscal year 2020, MGCC provided a \$20,000,000 emergency loan fund with loans up to \$75,000 to Massachusetts small businesses impacted by COVID-19. This fund was capitalized with \$10,000,000 from MGCC and a \$10,000,000 loan from Massachusetts Development Finance Agency (MDFA). These are three-year loans, with no payments for six months, followed by thirty months of principal and interest, with an interest rate of 3% (see Notes 5 and 12). The net position balance was \$(395,209) and \$(1,336,003) as of June 30, 2022 and 2021, respectively. During fiscal year 2022, MGCC received approval from the Commonwealth to utilize some of the COVID-19 Relief Grant funds to forgive \$16,198,901 of recovery loans.

Restricted by Enabling Legislation - The remaining net position is deemed restricted in accordance with GASB for purposes included within Massachusetts General Laws Chapter 40W, MGCC's enabling legislation. The net position balance was \$48,588,347 and \$29,027,527 as of June 30, 2022 and 2021, respectively.

Advertising Costs

MGCC expenses advertising costs as they are incurred.

Revenue Recognition

Revenues from interest on loans and on cash and other sources are recorded as earned on the accrual basis of accounting. Loan loss recoveries are recorded in the year of recovery when cash has been received or collection is assured. Loan origination fees, although usually reported as revenue over the duration of the loan, are reported as revenue upon close of the loan for MGCC given loans are historically paid off earlier than their maturity date. Grant revenue - COVID-19 - admin fee is recognized pro-rata based on the total grants provided during the course of the year. All other revenue is recorded as earned.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Appropriations, Grant Revenue and Grant Expense

Grant expense consists of competitive grants given to nonprofit providers of technical assistance for micro and small businesses throughout Massachusetts. These grants were funded through State appropriations of \$7,000,000 (including \$375,000 of admin fees) and \$9,134,608 (including \$449,130 of admin fees) from the Commonwealth during fiscal years 2022 and 2021, respectively, and is included in state appropriations in the accompanying statements of revenues and expenses.

During fiscal years 2022 and 2021, MGCC was awarded \$2,000,000 and \$17,500,000, respectively, of grant funds from the Commonwealth to recapitalize local Community Development Financial Institutions (CDFIs). Total grants provided as of June 30, 2022 and 2021, were \$4,511,125 and \$14,683,999, respectively, and is included in grant expense - COVID-19 in the accompanying statements of revenue and expenses. MGCC earned \$4,661,374 and \$14,857,728, including \$150,249 and \$173,729 in grant revenue during fiscal years 2022 and 2021, respectively.

During fiscal year 2021, MGCC was awarded \$734,600,000 of grant funds from the Commonwealth to provide grants to small businesses up to \$75,000 to assist in the economic hardship caused by the COVID-19 pandemic. Total grants provided as of June 30, 2021, was \$707,341,849 and is reflected as grant expense - COVID-19 in the accompanying 2021 statement of revenues and expenses. MGCC had a net decommitment of \$2,900,476 based off grants approved in fiscal year 2021 that MGCC could not finalize with the grantee as of June 30, 2022. MGCC has earned \$880,634 of admin fees associated with all grant activity pertaining to these funds during fiscal year 2022. MGCC earned \$713,967,389 in grant revenue, including \$6,625,540, in admin fees, associated with providing these grants as of June 30, 2021. During fiscal year 2022, MGCC also received approval to utilize \$16,927,844 of these funds to forgive the majority of the recovery loan portfolio, as well as pay back borrowers who previously paid their loan off in full. MGCC also repaid the Commonwealth \$14,152,321 of these funds during fiscal year 2022.

During fiscal year 2022, MGCC was awarded \$75,000,000 of grant funds from the Commonwealth to provide grants to small businesses up to \$75,000 to assist in the economic hardship caused by the COVID-19 pandemic. Total grants provided as of June 30, 2022, was \$67,406,316 and is included in grant expense - COVID-19 in the accompanying 2022 statement of revenues and expenses. MGCC earned \$71,260,609 in grant revenue, including \$3,854,293 in admin fees, associated with providing these grants.

During fiscal year 2021, MGCC received an award from EDA totaling \$4,147,000, to capitalize a new revolving loan fund for \$3,770,000 and \$377,000 to cover administrative costs. These funds were earned and available to draw down when MGCC had committed loans to borrowers. During fiscal years 2022 and 2021, MGCC drew down \$782,687 (including \$207,688 in admin fees associated with the grant) and \$500,000, respectively, for lending and, accordingly, has recognized the revenue, which is reflected as grant revenue - EDA in the accompanying statements of revenues and expenses. The remaining balance of the award was forfeited.

Statements of Revenues and Expenses

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of revenues and expenses. Non-operating revenue (expenses) include state appropriations revenue, related grant expense, and COVID-19 grant activity.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

MGCC follows the accounting and disclosure standards pertaining to GASB 72, *Fair Value Measurement and Application*, for qualifying assets and liabilities. Fair value is defined as the price that MGCC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

MGCC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of MGCC. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Subsequent Events

Subsequent events have been evaluated through November 3, 2022, which is the date the general purpose financial statements were available to be issued. See Notes 9 and 13 for events that met the criteria for disclosure within general purpose financial statements.

3. MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST INVESTMENTS

MGCC holds investments in MMDT in the amount of \$2,550,657 and \$2,542,498 at June 30, 2022 and 2021, respectively. MMDT is an investment program, founded in 1977 under the supervision of the State Treasurer of the Commonwealth, in which municipalities may pool excess cash for investment. MMDT was established to provide professionally managed investment funds to meet the investment needs of the Commonwealth and its political subdivisions. MGCC invests in MMDT's cash portfolio; these investments are considered to be cash and restricted cash equivalents.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

3. MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST INVESTMENTS (Continued)

The table below represents funds held by MMDT. The MMDT cash portfolio is managed independently and MGCC cannot influence how investments are allocated among the categories, which are disclosed as follows as of June 30:

<u>Securities with an Effective Maturity of:</u>	<u>Percentage of Total Net Position</u>	
	<u>2022</u>	<u>2021</u>
1 - 30 Days	72.7%	52.2%
31 - 90 Days	21.2	31.7
91 - 180 Days	3.6	11.1
181 - Days or more	<u>2.5</u>	<u>5.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The MMDT cash portfolio may only invest in securities rated in the highest rating category (if rated) or evaluated by the portfolio's investment adviser to be of equivalent credit quality (if unrated) and bank deposits meeting the portfolio credit quality requirements of GASB 79. Investments that were permissible at the time acquired may continue to be held to the extent consistent with GASB 79.

Securities rated in the highest short-term rating category (and unrated securities of comparable quality) are identified as First Tier securities. Securities rated in the second highest short-term rating category (and unrated securities of comparable quality) are identified as Second Tier securities. The MMDT cash portfolio follows applicable regulations in determining whether a security is rated and whether a security rated by multiple nationally recognized statistical rating organizations in different rating categories should be identified as a First or Second Tier security.

Credit ratings for the securities in the cash portfolio are shown in the table below based on total market value as of June 30:

	<u>Cash Portfolio Quality Diversification</u>	
	<u>First Tier</u>	<u>Second Tier</u>
2022	100.0%	- %
2021	100.0%	- %

4. CAPITAL ASSETS AND RIGHT-TO-USE ASSET - FACILITY LEASE

Capital assets are comprised of furniture and equipment and consist of the following:

	<u>Balance June 30, 2020</u>	<u>2021 Additions</u>	<u>Balance June 30, 2021</u>	<u>2022 Additions</u>	<u>Balance June 30, 2022</u>
Cost	\$ 140,057	\$ 62,996	\$ 203,053	\$ 16,195	\$ 219,248
Accumulated depreciation	<u>110,011</u>	<u>22,792</u>	<u>132,803</u>	<u>18,360</u>	<u>151,163</u>
Capital assets, net	<u>\$ 30,046</u>	<u>\$ 40,204</u>	<u>\$ 70,250</u>	<u>\$ (2,165)</u>	<u>\$ 68,085</u>

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

4. CAPITAL ASSETS AND RIGHT-TO-USE ASSET - FACILITY LEASE (Continued)

Changes in right-to-use asset-facility lease are as follows for the year ended June 30, 2022:

	<u>Balance June 30, 2021</u>	<u>2022 Additions</u>	<u>Balance June 30, 2022</u>
Right-to-use lease asset	\$ 426,716	\$ -	\$ 426,716
Less - accumulated amortization	<u>196,946</u>	<u>196,946</u>	<u>393,892</u>
Right-to-use asset-facility - lease, net	<u>\$ 229,770</u>	<u>\$ (196,946)</u>	<u>\$ 32,824</u>

Changes in right-to-use asset-facility lease are as follows for the year ended June 30, 2021:

	<u>Balance June 30, 2020</u>	<u>2021 Additions</u>	<u>Balance June 30, 2021</u>
Right-to-use lease asset	\$ -	\$ 426,716	\$ 426,716
Less - accumulated amortization	<u>-</u>	<u>196,946</u>	<u>196,946</u>
Right-to-use asset-facility - lease, net	<u>\$ -</u>	<u>\$ 229,770</u>	<u>\$ 229,770</u>

5. LOANS RECEIVABLE

MGCC functions as a one-stop resource for debt financing for small businesses, including woman- and minority-owned business and community development efforts. MGCC's main function to date has been to provide working capital debt financing. MGCC primarily makes loans of \$100,000 to \$1,000,000 for working capital, capital equipment and acquisition costs. Standard terms for these loans include interest at the *Wall Street Journal's* prime rate plus 5%, with a floor of 10%. The loans include both variable and fixed rate simple interest loans with typically up to five-year maturities. The loans are also primarily secured by subordinated liens on assets ensuring that MGCC can maximize any traditional financing alternatives. MGCC also operates an emergency loan program to help businesses with the harsh weather conditions and other emergency situations. Emergency loans are made between \$5,000 and \$50,000, with a 3% to 5% interest rate and a three-year maturity date. MGCC also offers loans to small businesses up to \$50,000, based on funding received from SBA (see Notes 2 and 12). Loans were made between \$10,000 and \$50,000, with a 7.5% interest rate and up to a six-year maturity. MGCC also offers a program called Real Estate Enhancement Financing (REEF). These loans are provided to aid the purchase or refinancing of owner-occupied commercial real estate. These are targeted towards small businesses based in Massachusetts and MGCC provides five-year term loans at a rate of 2%, plus the bank rate, amortized to match the bank's amortization (typically 20 to 25 years).

During fiscal year 2020, MGCC received \$10,000,000 in funding from MDFA to provide emergency capital of up to \$75,000 to Massachusetts-based businesses impacted by COVID-19. These funds are matched by MGCC, creating a \$20,000,000 COVID-19 Recovery Loan Fund. These are three-year loans that bear interest at 3% (see Note 12). During fiscal year 2021, MGCC extended the repayment terms to begin in fiscal year 2022. MGCC and MDFA each bear the risk of loss of 50% of total portfolio losses. Accordingly, 50% of COVID-19 Recovery Loan Fund write-offs will ultimately reduce the required repayment of the note payable to MDFA. The allowance for uncollectible loans associated with the COVID-19 Recovery Loan Fund relates only to MGCC's share of the fund.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

5. LOANS RECEIVABLE (Continued)

Loans receivable are stated net of allowance for loan losses as follows at June 30:

	<u>2022</u>		<u>2021</u>	
Principal outstanding:				
All other loans	46	\$ 6,435,504	62	\$ 13,377,897
COVID-19 Recovery loans	<u>27</u>	<u>1,046,862</u>	<u>307</u>	<u>17,813,374</u>
Total principal	<u>73</u>	<u>7,482,366</u>	<u>369</u>	<u>31,191,271</u>
Less - allowance for uncollectible loans (see Note 6):				
All other loans		2,852,280		3,684,981
COVID-19 Recovery loans		<u>420,322</u>		<u>1,336,003</u>
Total allowance for uncollectible loans		<u>3,272,602</u>		<u>5,020,984</u>
Loans receivable, net		4,209,764		26,170,287
Less - current portion of loans receivable, net		<u>1,742,925</u>		<u>19,614,112</u>
Long-term portion of loans receivable, net		<u>\$ 2,466,839</u>		<u>\$ 6,556,175</u>

Future payments of principal of loans receivable are due as follows:

2023	\$ 3,048,664
2024	\$ 1,550,833
2025	\$ 911,294
2026	\$ 741,001
2027	\$ 402,472
Thereafter	\$ 828,102

Current portion of notes receivable as of June 30, 2021, includes \$15,968,061 of COVID-19 Recovery loans that were forgiven in fiscal year 2022.

6. ALLOWANCE FOR UNCOLLECTIBLE LOANS

MGCC provides an allowance for expected loan and interest losses (see Notes 2 and 5). The allowance is based on MGCC's loan rating policy, which is updated periodically for changes related to individual loans receivable. The loan and interest loss allowance consists of the following as of June 30:

	<u>2022</u>		<u>2021</u>	
	<u>Loans</u>	<u>Interest</u>	<u>Loans</u>	<u>Interest</u>
Balance, beginning of year	\$ 5,020,984	\$ 89,402	\$ 4,744,515	\$ 67,075
Net provision for losses	566,988	163,394	276,469	22,327
Write-offs	<u>(2,315,370)</u>	<u>(172,796)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 3,272,602</u>	<u>\$ 80,000</u>	<u>\$ 5,020,984</u>	<u>\$ 89,402</u>

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

6. ALLOWANCE FOR UNCOLLECTIBLE LOANS (Continued)

MGCC writes-off loan balances when amounts are determined to be uncollectible. In the above write-offs, loan balances from five companies are included in the fiscal year 2022 amount. There were no write-offs during fiscal year 2021.

Impaired Loans

MGCC identifies a loan as impaired when it is probable that interest and/or principal will not be collected according to the contractual terms of the loan agreement. In accordance with guidance provided by the criteria under ASC Topic, *Impairment (Recoverability)*, management employs one of three methods to determine and measure impairment: the Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, MGCC reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. Based on the nature of the specific loan, one of the impairment methods is chosen or any impairment is determined, based on criteria established for impaired loans.

MGCC uses a six number-based credit rating system, with "1" representing the highest quality/lowest risk credits and "6" representing the lowest quality/highest risk credits. The following table presents the Loan Fund's loans receivable balances and related allowance by risk rating at June 30:

Risk Rating	2022		2021	
	Loan Balance	Loan Loss Allowance	Loan Balance	Loan Loss Allowance
1 - 3	\$ 1,269,031	\$ -	\$ 3,042,511	\$ -
4	813,653	-	19,380,727	1,336,003
5	3,545,133	1,418,053	6,571,068	1,988,014
6	<u>1,854,549</u>	<u>1,854,549</u>	<u>2,196,965</u>	<u>1,696,967</u>
	<u>\$ 7,482,366</u>	<u>\$ 3,272,602</u>	<u>\$ 31,191,271</u>	<u>\$ 5,020,984</u>

Troubled Debt Restructurings

A troubled debt restructuring (TDR) occurs when a creditor, for economic or legal reasons related to a borrower's financial condition, grants a concession to the borrower that it would not otherwise consider, such as below-market interest rates, principal reductions extending the maturity of a loan, or a combination of these. In certain instances, MGCC makes loan amendments to extend the loan term or reduce the interest rate. If MGCC determines that the amendment is not due to the financial difficulties of the borrower and continues to expect full repayment of the loan, the amendment is not classified as a TDR. During fiscal year 2022, as part of bankruptcy proceedings, MGCC entered into a new loan agreement with a new five-year maturity and reduced interest rate with one borrower. Outstanding principal on the loan was \$181,066 with an allowance of \$72,426 as of June 30, 2022. Under the new loan agreement, the interest rate was reduced from 10% to 8%. There were no loan modifications classified as TDRs as of June 30, 2021.

7. DEFERRED COMPENSATION AND RETIREMENT PLANS

MGCC has a deferred compensation plan which is qualified under Section 457(b) of the Internal Revenue Code. Employees can make voluntary contributions to the plan through salary reductions. MGCC does not contribute to this plan.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

7. DEFERRED COMPENSATION AND RETIREMENT PLANS (Continued)

MGCC maintains an additional social security replacement plan for employees. This plan is eligible to all employees upon commencement of employment. MGCC makes monthly contributions equal to 11.2% of each participant's monthly compensation from inception of employment. Employees are immediately vested in the plan upon commencement of employment. Contributions made for the years ended June 30, 2022 and 2021, were \$290,325 and \$327,319, respectively, and are included in employee compensation in the accompanying statements of revenues and expenses.

8. COMMITMENTS AND OFF-BALANCE SHEET RISK

Lending and Guarantees

Commitments to originate loans are agreements to lend money, provided that there are no violations of any conditions established in the agreements. MGCC evaluates each request for financing on a case-by-case basis, including, but not limited to, eligibility as established by Chapter 40W of the Massachusetts General Laws, credit worthiness, collateral obtained, and any other prevailing economic factors. Once these commitments are made, MGCC is also subject to a degree of off-balance sheet risk, as MGCC has committed funds to an entity and such commitment is not recorded on the statements of net position as a liability. The performance of these entities could adversely affect the ability of MGCC to recover the committed investment. As of June 30, 2022, MGCC had no commitments. As of June 30, 2021, MGCC had commitments to lend of approximately \$1.6 million.

MGCC may issue guarantees to public or private entities for the purpose of causing such entities to provide financing to a business. A collateral requirement on the guarantees is determined on an individual basis by MGCC's Board of Directors. As of June 30, 2022 and 2021, MGCC had one outstanding guarantee with a total value of \$1,000,000. The remaining guarantee expires on July 1, 2023.

9. LEASES

MGCC leased office space in Charlestown, Massachusetts under a six-year lease agreement through August 2022. The lease required MGCC to maintain certain insurance coverage and to pay for its proportionate share of real estate taxes and operating expenses. Monthly rent payments under the agreement ranged from \$13,785 to \$17,569 over the lease period. Common area maintenance charges totaled \$3,300 and \$3,000 during fiscal years 2022 and 2021, respectively, and are included in occupancy in the accompanying general purpose statements of revenue and expenses.

On July 1, 2020, upon adoption of GASB 87, MGCC recognized a lease liability of \$426,716 and a right-to-use asset-facility lease of \$426,716. During fiscal years 2022 and 2021, MGCC recognized \$196,946 of amortization of right-to-use asset expense in the accompanying general purpose statements of revenues and expenses. Amortization of the right-to-use asset is expected to be \$32,824 for fiscal year 2023.

Subsequent to June 30, 2022, MGCC entered into a seven-year lease extension expiring on September 30, 2029, on the above office space in Charlestown, Massachusetts. Monthly rent payments under the agreement ranges from \$21,083 to \$25,175 over the lease period. MGCC received a one-month lease allowance totaling \$21,083 for October 2022.

MGCC had a tenant-at-will agreement with the Worcester Regional Chamber of Commerce. Monthly rent payments under this lease agreement for 2022 and 2021 were \$200. Rent expense under this agreement was \$2,400 for the years ended June 30, 2022 and 2021, and is included in occupancy in the accompanying statements of revenues and expenses.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

9. LEASES (Continued)

Future minimum payments under these lease obligations are as follows for the years ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 139,714	\$ 64,086	\$ 203,800
2024	\$ 171,630	\$ 87,055	\$ 258,685
2025	\$ 191,043	\$ 75,427	\$ 266,470
2026	\$ 211,962	\$ 62,503	\$ 274,465
2027	\$ 234,471	\$ 48,183	\$ 282,654
Thereafter	\$ 618,472	\$ 48,084	\$ 666,556

10. CONCENTRATION OF CREDIT RISK

MGCC maintains its cash and cash equivalents balances in two banks in Massachusetts and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). In addition, cash and cash equivalents included in MMDT (see Note 2) are not FDIC insured. At certain times, these cash balances exceeded the insured amounts. As of June 30, 2022, MGCC's exposure for uninsured funds was approximately \$58,180,000, in accordance with GASB Statement No. 40. MGCC has not experienced any losses in such accounts and management believes the credit risk related to MGCC's cash and cash equivalents is not significant.

11. LINE OF CREDIT

MGCC maintains a revolving line of credit agreement with a bank for borrowings up to \$10 million. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's base lending rate (4.75% and 3.25% at June 30, 2022 and 2021, respectively). The line was set to mature on September 30, 2022, however, subsequent to year-end, MGCC received an extension of the maturity date to December 30, 2022. The line of credit is secured by substantially all assets. As of June 30, 2022 and 2021, there were no outstanding balances under this agreement. MGCC must meet certain covenants as specified in the agreement. MGCC was in compliance with these covenants at June 30, 2022 and 2021.

12. NOTES PAYABLE

MGCC received a \$10,000,000, interest-free, note from MDFA on March 27, 2020. Proceeds from this loan were used to provide emergency capital of up to \$75,000 to Massachusetts-based businesses impacted by COVID-19 at an interest rate of 3% and a maturity of three-years (see Note 5). This note is payable in quarterly installments based on remittance of loan principal payments beginning in January 2021. COVID-19 Recovery Loan Fund balances deemed uncollectible by MGCC and MDFA will be applied against and reduce the loan balance due to MDFA by 50% of the loan fund's write-offs. As of June 30, 2022 and 2021, the outstanding principal balance was \$1,001,298 and \$9,036,687, respectively.

MGCC was approved as a Small Business Administration (SBA) Statewide Microlender in the spring of 2017, and was awarded a \$350,000 loan to provide funding for loans less than \$50,000. There were no principal or interest payments required through April 2018. Beginning in May 2018, principal and interest payments totaling \$1,906 are due monthly, with the remaining balance of the loan due upon maturity, in April 2027. Interest accrues at either a rate of 0.625% or 1.875% based on the average size of microloans disbursed, re-evaluated annually in April (0.625% at June 30, 2022 and 2021). This note is secured by all amounts held in the SBA fund. As of June 30, 2022 and 2021, the outstanding principal balance was \$202,776 and \$243,968, respectively.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements
June 30, 2022 and 2021

12. NOTES PAYABLE (Continued)

During October 2020, MGCC was awarded another \$350,000 loan from SBA to provide funding for loans less than \$50,000. During the first twelve months, there is no principal or interest due. MGCC drew down the entire \$350,000 during October 2021. Beginning in October 2021, principal and interest payments totaling \$3,241 are due monthly, with the remaining balance of loan due upon maturity in September 2030. Interest accrues at either a rate of 0.50% or 1.75% based on the average size of microloans disbursed, re-evaluated annually in October (0.50% as of June 30, 2022). This note is secured by all amounts held in the SBA fund. As of June 30, 2022, the outstanding principal balance was \$321,277.

Scheduled principal and estimated interest payments on the notes payable are shown below:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 572,773	\$ 3,080	\$ 575,853
2024	\$ 576,798	\$ 2,775	\$ 579,573
2025	\$ 76,626	\$ 2,298	\$ 78,924
2026	\$ 77,107	\$ 1,817	\$ 78,924
2027	\$ 113,575	\$ 1,227	\$ 114,802
Thereafter	\$ 108,472	\$ 857	\$ 109,329

13. SUBSEQUENT EVENTS

During fiscal year 2023, the Small Business Technical Assistance program that is funded via the Commonwealth's annual operating budget was approved for a record \$7,000,000 for fiscal year 2023.

During fiscal year 2023, MGCC received another \$1,000,000 as part of the COVID-19 Small Business grants.

14. RELATED PARTY TRANSACTIONS

A member of the Board of Directors who left the Board in June 2022, is the President of a bank where MGCC holds a cash account.

15. OTHER CONTINGENCIES

MGCC, from time-to-time, is the defendant in lawsuits. It is management's experience that MGCC will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying general purpose financial statements for any potential liability resulting from these lawsuits.

16. RECLASSIFICATION

Certain amounts in the fiscal year 2021 general purpose financial statements have been reclassified to conform with the fiscal year 2022 presentation.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

SUPPLEMENTAL INFORMATION

JUNE 30, 2022

- Note 1:** The accompanying supplemental information summarizes the fund financial statements for certain funding sources at MGCC. Expenses presented within the supplemental statement of revenues, expenses and changes in net position include only expenses allowable by each funding source. Administrative expenses and certain overhead costs have not been allocated to reflect actual use. Accordingly, the total costs associated with managing each fund is not reflected in the supplemental statement of revenues, expenses and changes in net position.
- Note 2:** The SSBCI fund financial statements include loan amounts matched 50/50 with funds from the MGCC general fund. Accordingly, the interest earned or loan loss provision (net of recoveries) on these loans are split 50/50 with the MGCC general fund. The amounts included on the transfer line items on the supplemental statement of revenues, expenses and changes in net position represent the transfer of interest and loan loss from SSBCI to the MGCC general fund, in accordance with the SSBCI agreement.
- Note 3:** The COVID-19 Recovery Loan Fund financial statements includes amounts matched 50/50 from the MGCC general fund and financing provided by MDFA. Accordingly, interest earned on these loans beginning in fiscal year 2021 are split with MGCC and MDFA. As both MGCC and MDFA bear the risk of loss of loans, any loan write-offs will be shared 50/50, with MDFA's portion reducing the note payable balance. The loan loss provision associated with this fund has been calculated solely on MGCC's portion of the fund.

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Supplemental Statement of Net Position
June 30, 2022

Assets	MGCC	COVID-19 Recovery Loan Fund	Federal Title IX Revolving Loan Fund #3	Small Business Administration	Total
Current Assets:					
Cash and cash equivalents - restricted	\$ 57,726,184	\$ 475,896	\$ 165,220	\$ 312,060	\$ 58,679,360
Grants receivable	33,760,325	-	-	-	33,760,325
Current portion of loans receivable, net of allowance for uncollectible loans of approximately \$1,306,000	1,203,242	332,637	138,567	68,479	1,742,925
Accrued interest receivable on loans, net of allowance for uncollectible amounts of approximately \$80,000	262,210	-	1,122	9,356	272,688
Prepaid expenses and other	37,876	-	-	-	37,876
Total current assets	92,989,837	808,533	304,909	389,895	94,493,174
Loans Receivable, net of current portion and allowance for uncollectible loans of approximately \$1,967,000	1,449,459	293,903	527,408	196,069	2,466,839
Right-to-Use Asset - facility lease, net	32,824	-	-	-	32,824
Capital Assets, net	68,085	-	-	-	68,085
Total assets	<u>\$ 94,540,205</u>	<u>\$ 1,102,436</u>	<u>\$ 832,317</u>	<u>\$ 585,964</u>	<u>\$ 97,060,922</u>
Liabilities and Net Position					
Current Liabilities:					
Accounts payable, accrued expenses and other	\$ 225,686	\$ -	\$ -	\$ -	\$ 225,686
Current portion of notes payable	-	500,649	-	72,124	572,773
Current portion of lease liability	34,948	-	-	-	34,948
Deferred revenue	8,327,922	-	-	-	8,327,922
Grants payable	37,868,707	-	-	-	37,868,707
Interfund (receivable) payable	(505,405)	505,405	-	-	-
Total current liabilities	45,951,858	1,006,054	-	72,124	47,030,036
Notes Payable, net of current portion	-	500,649	-	451,929	952,578
Total liabilities	<u>45,951,858</u>	<u>1,506,703</u>	<u>-</u>	<u>524,053</u>	<u>47,982,614</u>
Net Position:					
Restricted - Federal Title IX RLF	-	-	832,317	-	832,317
Restricted - SBA Revolving Loan Fund	-	-	-	61,911	61,911
Restricted - COVID-19 Recovery Loan Fund	-	(404,267)	-	-	(404,267)
Restricted by enabling legislation	48,588,347	-	-	-	48,588,347
Total net position	<u>48,588,347</u>	<u>(404,267)</u>	<u>832,317</u>	<u>61,911</u>	<u>49,078,308</u>
Total liabilities and net position	<u>\$ 94,540,205</u>	<u>\$ 1,102,436</u>	<u>\$ 832,317</u>	<u>\$ 585,964</u>	<u>\$ 97,060,922</u>

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Supplemental Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2022

	MGCC	COVID-19 Recovery Loan Fund	State Small Business Credit Initiative	Federal Title IX Revolving Loan Fund #1	Federal Title IX Revolving Loan Fund #2	Federal Title IX Revolving Loan Fund #3	Small Business Administration	Total
Operating Revenues:								
Grant revenue - COVID-19 - admin fee	\$ 4,885,176	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,885,176
Interest income on loans	486,372	18,116	77,694	21,368	112,711	47,544	21,684	785,489
State appropriations - admin fee	375,000	-	-	-	-	-	-	375,000
Loan origination fees and other	253,416	-	-	-	100	20,600	-	274,116
Grant revenue - EDA - admin fee	-	-	-	-	-	207,688	-	207,688
Interest income on cash reserves	108,530	-	4,380	288	23	-	27	113,248
Transfer of earnings	50,095	(9,058)	(41,037)	-	-	-	-	-
Total operating revenues	6,158,589	9,058	41,037	21,656	112,834	275,832	21,711	6,640,717
Operating Expenses:								
Employee compensation	3,103,046	-	-	6,763	13,162	223,393	-	3,346,364
Contract services	568,680	-	-	-	-	-	-	568,680
Information technology	411,392	-	-	-	-	-	-	411,392
Professional fees	311,413	-	-	3,797	19,810	17,002	-	352,022
Amortization of right-to-use lease asset	168,807	-	-	2,566	13,385	12,188	-	196,946
Insurance	74,186	-	-	-	-	-	-	74,186
Other expenses	71,068	-	-	-	-	-	-	71,068
Dues and memberships	67,606	-	-	-	-	-	-	67,606
Supplies	55,726	-	-	-	-	-	-	55,726
Depreciation	18,360	-	-	-	-	-	-	18,360
Portfolio and credit administration	15,365	-	-	-	-	-	-	15,365
Telephone	13,531	-	-	-	-	-	-	13,531
Printing and postage	11,611	-	-	-	-	-	-	11,611
Interest expense	6,263	-	63	-	43	-	2,457	8,826
Occupancy	8,811	-	-	-	-	-	-	8,811
Meetings	5,873	-	-	-	-	-	-	5,873
Travel	4,720	-	-	40	200	243	-	5,203
Total operating expenses	4,916,458	-	63	13,166	46,600	252,826	2,457	5,231,570
Changes in net position from operations before loan loss recovery (provision)	1,242,131	9,058	40,974	8,490	66,234	23,006	19,254	1,409,147
Loan Loss Recovery	379,129	-	-	-	-	-	-	379,129
Loan Loss Provision Transfer	(81,978)	-	81,978	-	-	-	-	-
Loan Loss Provision	(1,135,257)	922,678	(163,956)	(30,613)	(58,565)	(265,688)	1,019	(730,382)
Changes in net position from operations	404,025	931,736	(41,004)	(22,123)	7,669	(242,682)	20,273	1,057,894
Non-Operating Revenue (Expenses):								
Grant revenue - COVID-19	69,016,965	-	-	-	-	-	-	69,016,965
State appropriations	6,625,000	-	-	-	-	-	-	6,625,000
Grant revenue - EDA	-	-	-	-	-	574,999	-	574,999
Grant expense	(6,625,000)	-	-	-	-	-	-	(6,625,000)
Grant expense - COVID-19	(69,016,965)	-	-	-	-	-	-	(69,016,965)
Total non-operating revenue (expenses)	-	-	-	-	-	574,999	-	574,999
Changes in net position	404,025	931,736	(41,004)	(22,123)	7,669	332,317	20,273	1,632,893
Net Position:								
June 30, 2021	29,027,527	(1,336,003)	15,056,297	1,688,115	2,467,841	500,000	41,638	47,445,415
Net asset transfer	19,156,795	-	(15,015,293)	(1,665,992)	(2,475,510)	-	-	-
June 30, 2022	\$ 48,588,347	\$ (404,267)	\$ -	\$ -	\$ -	\$ 832,317	\$ 61,911	\$ 49,078,308