



**GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Contents  
June 30, 2019 and 2018

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	<u>Pages</u>
<b>Independent Auditor's Report .....</b>	1 - 1A
<b>Management's Discussion and Analysis .....</b>	2 - 5
<b>General Purpose Financial Statements:</b>	
Statements of Net Position .....	6
Statements of Revenues and Expenses .....	7
Statements of Changes in Net Position .....	8
Statements of Cash Flows .....	9
Notes to General Purpose Financial Statements .....	10 - 18
<b>Supplemental Information:</b>	
Supplemental Statement of Net Position .....	19
Supplemental Statement of Revenues, Expenses and Changes in Net Position .....	20

Independent Auditor's Report

To the Board of Directors of  
Massachusetts Growth Capital Corporation:

**Report on the General Purpose Financial Statements**

We have audited the accompanying general purpose financial statements of Massachusetts Growth Capital Corporation (a component unit of the Commonwealth of Massachusetts) which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the general purpose financial statements.

***Management's Responsibility for the General Purpose Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these general purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the net position of Massachusetts Growth Capital Corporation as of June 30, 2019 and 2018, 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.

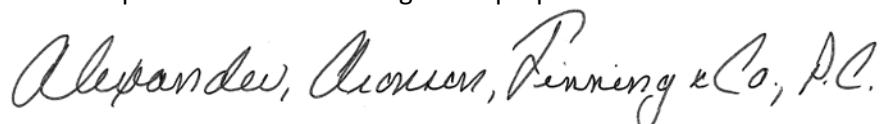
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 2 through 5 be presented to supplement the general purpose financial statements. Such information, although not a part of the 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 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 general purpose financial statements, and other knowledge we obtained during our audit of the 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.

### *Other 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 19 and 20 for the year ended June 30, 2019, is presented for purposes of additional analysis and is not a required part of the 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 general purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 general purpose financial statements or to the 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 information is fairly stated in all material respects in relation to the general purpose financial statements as a whole.



Boston, Massachusetts  
October 10, 2019

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

### Management's Discussion and Analysis June 30, 2019 and 2018

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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, 2019. Please read it in conjunction with MGCC's general purpose financial statements, which begin on page 6.

#### **Basic General Purpose Financial Statements**

The financial activities for the year ended June 30, 2019, 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 19 and 20.

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. Twelve members have been appointed and confirmed as of the date of this report.

MGCC operates on a June 30th 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, 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 four 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, 2019 and 2018

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

#### MGCC: (Continued)

Transfer funding from the former EST included:

**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.

**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.

**State Small Business Credit Initiative:** On September 27, 2010, the President of the United States signed into law the "*Small Business Jobs Act of 2010*" (the Act) to help increase credit availability for small businesses. The Act 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.

**Small Business Administration (SBA):** MGCC has entered into a contract with U.S. Small Business Administration on April 13<sup>th</sup>, 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 business in Massachusetts. As of June 30, 2019, MGCC has drawn \$250,000. Currently there are six microloan borrowers with total outstanding loan balance of \$169,931. Total earned interest was \$8,592. Subsequent to fiscal year end the remaining \$100,000 was drawn down in August 2019.

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

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

#### Condensed Financial Information

Assets total \$48,311,234. The major components are:

**Cash and Cash Equivalents - Restricted:** MGCC began the fiscal year with a total of \$26,503,618 in cash. At June 30, 2019, cash totaled \$29,330,473. The net increase of \$2,826,855 was due to net repayments exceeding new loans funded and an increase in early payoffs.

**Loans Receivable:** Loans receivable at June 30, 2019, totaled \$22,443,358, a net decrease of \$3,803,258 from the previous year's \$26,246,616. MGCC disbursed \$4,714,329 in new loans and \$411,472 in advances on lines of credit. During the fiscal year, MGCC received \$8,691,064 in principal payments, including early payoffs of \$3,140,553, and closed 17 loans totaling approximately \$4,714,329. The average closed loan amount in the current fiscal year was \$277,000 compared to \$366,000 in the previous year.

In the prior fiscal year, principal payments totaled \$12,369,574, including early payoffs of \$3,936,000 and closed 25 loans totaling approximately \$9,155,000.

## MASSACHUSETTS GROWTH CAPITAL CORPORATION

Management's Discussion and Analysis  
June 30, 2019 and 2018

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### Condensed Financial Information (Continued)

The loan loss reserve increased to \$3,933,178 or 17.5% of loans receivable from \$3,778,835 or 14.4%, due to the 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. Write offs for the current fiscal year of principal and interest were \$273,401.

**Liabilities total \$331,707. The major components are:**

**Construction Contract Financing Program (CCFP):** The contract commenced on January 29, 2016, with a loan from Massachusetts Housing Finance Agency (MHFA) for \$1,000,000. The purpose of the program is to increase access to working capital for minority and/or women-owned construction contractors to mobilize their participation as subcontractors on construction projects financed by MHFA. The program terminated and MGCC paid back \$1,000,000 and \$9,690 of interest to MHFA on January 29, 2019.

**SBA Note Payable:** The contract commenced on April 13, 2017, with a loan from U.S. Small Business Administration for \$350,000. As of June 30, 2019, MGCC has drawn \$250,000. MGCC is required to match 15% of the amount drawn and keep it in a separate bank account as Loan Loss Reserve Fund. MGCC began making monthly payments of principal and interest in May 2018. Outstanding balance due to SBA as of June 30, 2019 was \$223,459.

**Accounts Payable, Accrued Expenses and Other:** Accounts payable, accrued expenses and other at June 30, 2019, totaled \$108,248 compared to \$103,374 for the prior year. The increase of \$4,874 was due to a net increase in accrued expenses.

**Revenues:** Operating revenues for 2019 totaled \$2,603,368 compared to \$2,800,900 for the prior year, a decrease of \$197,532. The decrease is due to interest income on loans of \$206,073 and a decrease of loan originations fee and other of \$129,508 with this being offset with an increase of interest income on cash reserves of \$138,049.

**Expenses:** Expenses for the year ended June 30, 2019, totaled \$2,936,654 compared to \$2,921,424 for the prior year, an increase of \$15,230. Employee compensation, occupancy, information technology and dues and memberships increased by \$59,309 and were offset by a decrease in meetings and supplies. MGCC continued to absorb the administrative and marketing expenses associated with SBTA program totaling approximately \$150,000.

**Operating Loss:** Net loss from operations before loan loss recovery (provision) was \$333,286 for 2019 and \$120,524 for 2018, respectively. Loan loss recovery increased by \$399,642 from \$114,962 in 2018 to \$514,604 in 2019.

MGCC had a net increase in the loan loss reserve of \$154,343 in 2019 compared to \$1,036,246 in 2018, and a decrease in loan principal write offs from \$256,410 in 2018 to \$237,995 in 2019.

### Analysis of Significant Variations between Original and Budgeted Amounts

Revenues ended the year less than the budget by a net of \$387,586. Portfolio income and loan fee income was off budget by \$459,427 and \$103,211, respectively, due to timing of loan closings and lower loan volume. However, this was offset by an increase in investment income of \$175,013.

MGCC's overall loan portfolio ended the year at \$22,443,358, a net decrease of \$3,803,258 from last year's ending balance of \$26,246,616. The lower outstanding balance was due to lower than anticipated loan volume due to the competitive lending environment and MGCC having two fewer loan officers for the majority of the year. Portfolio recoveries totaling \$514,604.

Operating expenses were lower than budget by \$167,686. This was principally due to decreases in payroll and benefits.

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Management's Discussion and Analysis  
June 30, 2019 and 2018

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### **Analysis of Significant Variations between Original and Budgeted Amounts (Continued)**

**Subsequent Event:** MGCC has been approved through the fiscal year 2020 Commonwealth Budget, for an additional \$3,100,000 in Technical Assistance and Training grants for fiscal year 2020, including \$100,000 for the Black Economic Council of Massachusetts, Inc. MGCC expects the contract in September 2019, with quarterly funding to follow. MGCC will continue to absorb the expenses associated with this program.

### **Fiscal Year 2020 Outlook**

The competitive market that dominated 2019 will continue into fiscal year 2020. Banks are aggressively adding loans to increase their outstandings, which may negatively impact MGCC's loan volume. However, a tightening of credit standards coupled with the hint of a stalling economy may slow the banks' lending, creating financing gaps hence increasing MGCC volume. MGCC is also exploring new products that could assist in financing gaps in the marketplace.

Despite the competitive environment, MGCC has a positive outlook for 2020. The lending pipeline is adequate and there are certain deals the banks continue to shy away from, including acquisitions, growth situations and ownership transitions. The banks are still hesitant to do deals that lack sufficient collateral despite good cash flow. These are good situations for MGCC's involvement.

MGCC will continue to concentrate on assisting women, minority-owned companies and companies located in Gateway Cities. We will increase our contacts with our existing and new partners to expand the access to capital and expand our reach.

Overall, we expect that fiscal year 2020 will be a good year for MGCC, increased lending and a watchful eye on the risk of the portfolio and new loan originations.

**MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Statements of Net Position  
June 30, 2019 and 2018

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<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets:</b>		
Cash and cash equivalents - restricted	\$ 29,330,473	\$ 26,503,618
Accounts receivable	12,354	16,831
Current portion of loans receivable, net of allowance for uncollectible loans of approximately \$877,000 and \$846,000 at June 30, 2019 and 2018, respectively	4,036,522	4,994,848
Accrued interest receivable on loans, net of allowance for uncollectible amounts of approximately \$57,000 and \$67,000 at June 30, 2019 and 2018, respectively	346,371	352,429
Prepaid expenses and other	<u>77,574</u>	<u>64,420</u>
Total current assets	33,803,294	31,932,146
Loans Receivable, net of current portion and allowance for uncollectible loans of approximately \$3,056,000 and \$2,933,000 at June 30, 2019 and 2018, respectively	14,473,658	17,472,933
Capital Assets, net	<u>34,282</u>	<u>55,172</u>
Total assets	<u>\$ 48,311,234</u>	<u>\$ 49,460,251</u>
<hr/>		
<b>Liabilities and Net Position</b>		
<b>Current Liabilities:</b>		
Accounts payable, accrued expenses and other	\$ 108,248	\$ 103,374
Current portion of notes payable	<u>31,357</u>	<u>1,022,020</u>
Total current liabilities	139,605	1,125,394
Notes Payable, net of current portion	<u>192,102</u>	<u>124,311</u>
Total liabilities	<u>331,707</u>	<u>1,249,705</u>
<hr/>		
<b>Net Position:</b>		
Restricted - State Small Business Credit Initiative	14,755,164	14,457,618
Restricted - Federal Title IX RLF	3,980,044	4,122,481
Restricted - SBA Revolving Loan Fund	8,617	1,032
Restricted by enabling legislation	<u>29,235,702</u>	<u>29,629,415</u>
Total net position	<u>47,979,527</u>	<u>48,210,546</u>
Total liabilities and net position	<u>\$ 48,311,234</u>	<u>\$ 49,460,251</u>

**MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Statements of Revenues and Expenses  
For the Years Ended June 30, 2019 and 2018

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	<b>2019</b>	<b>2018</b>
<b>Operating Revenues:</b>		
Interest income on loans	\$ 2,066,903	\$ 2,272,976
Interest income on cash reserves	394,676	256,627
Loan origination fees and other	141,789	271,297
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Total operating revenues	2,603,368	2,800,900
<b>Operating Expenses:</b>		
Employee compensation	2,231,120	2,221,934
Professional fees	267,247	271,857
Occupancy	204,030	191,561
Dues and memberships	35,250	10,750
Information technology	30,529	17,375
Supplies	25,595	35,941
Meetings	21,284	55,920
Depreciation	20,890	5,924
Other expenses	18,011	15,989
Insurance	17,799	17,288
Printing and postage	14,940	18,857
Telephone	13,262	14,411
Interest expense	10,752	143
Travel	10,282	15,869
Advertising	5,700	17,472
Portfolio and credit administration	5,654	6,068
Maintenance and repair	4,309	4,065
	<hr/>	<hr/>
Total operating expenses	2,936,654	2,921,424
Changes in net position from operations before loan loss recovery (provision)	(333,286)	(120,524)
<b>Loan Loss Recovery</b>	514,604	114,962
<b>Loan Loss Provision</b>	(417,338)	(1,297,195)
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Changes in net position from operations	(236,020)	(1,302,757)
<b>Non-Operating Revenue (Expense):</b>		
State appropriations	2,650,000	3,975,000
Grant expense	(2,644,999)	(3,988,806)
	<hr/>	<hr/>
Total non-operating revenue (expense)	5,001	(13,806)
Changes in net position	\$ (231,019)	\$ (1,316,563)

**MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Statements of Changes in Net Position  
For the Years Ended June 30, 2019 and 2018

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<b>Net Position</b> , June 30, 2017	\$ 49,527,109
Changes in net position	<u>(1,316,563)</u>
<b>Net Position</b> , June 30, 2018	48,210,546
Changes in net position	<u>(231,019)</u>
<b>Net Position</b> , June 30, 2019	<u>\$ 47,979,527</u>

**MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities:</b>		
Receipts of interest income	\$ 2,442,637	\$ 2,429,319
Receipts of loan origination and other fees	146,266	263,192
Employee compensation	(2,207,619)	(2,231,565)
Payments for supplies and services	<u>(716,425)</u>	<u>(750,532)</u>
Net cash used in operating activities before state appropriation and grant expense	(335,141)	(289,586)
State appropriation	2,650,000	3,975,000
Grant expense	<u>(2,644,999)</u>	<u>(3,988,806)</u>
Net cash used in operating activities	<u>(330,140)</u>	<u>(303,392)</u>
<b>Cash Flows from Investing Activities:</b>		
Loans disbursed	(5,125,801)	(11,557,347)
Loan recoveries	514,604	114,962
Proceeds from loan repayments	8,691,064	12,369,574
Acquisition of property and equipment	<u>-</u>	<u>(44,900)</u>
Net cash provided by investing activities	<u>4,079,867</u>	<u>882,289</u>
<b>Cash Flow from Financing Activities:</b>		
Proceeds from notes payable	100,000	150,000
Payments on notes payable	(1,022,872)	(3,669)
Payments for funds held by others	<u>-</u>	<u>(375,000)</u>
Net cash used in financing activities	<u>(922,872)</u>	<u>(228,669)</u>
<b>Net Change in Cash and Cash Equivalents - Restricted</b>	2,826,855	350,228
<b>Cash and Cash Equivalents - Restricted:</b>		
Beginning of year	<u>26,503,618</u>	<u>26,153,390</u>
End of year	<u>\$ 29,330,473</u>	<u>\$ 26,503,618</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net position	\$ (231,019)	\$ (1,316,563)
Adjustments to reconcile changes in net position to net cash used in operating activities:		
Depreciation	20,890	5,924
Loan loss recovery	(514,604)	(114,962)
Loan loss provision	417,338	1,297,195
Changes in operating assets and liabilities:		
Accounts receivable	4,477	(8,105)
Accrued interest receivable	(18,942)	(100,284)
Prepaid expenses and other	(13,154)	905
Accounts payable, accrued expenses and other	<u>4,874</u>	<u>(67,502)</u>
Net cash used in operating activities	<u>\$ (330,140)</u>	<u>\$ (303,392)</u>

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

Page 9

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### **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 has adopted GASB accounting standard for *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. 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*. 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.

#### **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 includes 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.

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Cash and Cash Equivalents - Restricted (Continued)**

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.

#### **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.

#### **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.

#### **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 received \$13,932,072 over a three-year period. During fiscal year 2017, there was an additional award of \$69,464. MGCC has matched the principal of loans made with this capital on a 50/50 basis. The net position balance was \$14,755,164 and \$14,457,618 as of June 30, 2019 and 2018, respectively.

**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 \$1,598,694 and \$1,679,344 as of June 30, 2019 and 2018, respectively.

**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 \$2,381,350 and \$2,443,137 as of June 30, 2019 and 2018, respectively.

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Classification of Net Position (Continued)**

**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 business in Massachusetts (see Note 5). As of June 30, 2019 and 2018, MGCC has drawn \$250,000 and \$150,000, respectively. As of June 30, 2019 and 2018, there were six and three microloan borrowers with a total outstanding loan balance of \$169,931 and \$79,314, respectively. The net position balance was \$8,617 and \$1,032 as of June 30, 2019 and 2018, respectively.

**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 \$29,235,702 and \$29,629,415 as of June 30, 2019 and 2018, respectively.

#### **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. All other revenue is recorded as earned.

#### **Advertising Costs**

MGCC expenses advertising costs as they are incurred.

#### **Grant Expense and State Appropriations**

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 grants of \$650,000 and \$750,000 from the Commonwealth during fiscal years 2019 and 2018, respectively, and are included in state appropriations in the accompanying statements of revenues and expenses. During fiscal years 2019 and 2018, MGCC also received \$2,000,000 and \$3,225,000, respectively, of bond proceeds that were passed through to a quasi-public corporation to provide grants to small businesses as part of the Small Business Innovation Research Program.

#### **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 (expense) includes state appropriations revenue and related grant expense.

#### **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.

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### **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 October 10, 2019, which is the date the general purpose financial statements were available to be issued. See Notes 11 and 12 for events that met the criteria for disclosure.

### **3. MASSACHUSETTS MUNICIPAL DEPOSITORY TRUST INVESTMENTS**

MGCC holds investments in MMDT in the amount of \$2,495,784 and \$2,495,582 at June 30, 2019 and 2018, 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 and these investments are considered to be cash and restricted cash equivalents.

## MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### 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:

<b><u>Securities with an Effective Maturity of:</u></b>	<b>Percentage of Total Net Position</b>	
	<b>2019</b>	<b>2018</b>
1 - 30 Days	74.1%	71.7%
31 - 90 Days	18.3	20.4
91 - 180 Days	4.6	7.9
181 - Days or more	3.0	0.0
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:

	<b>Cash Portfolio Quality Diversification</b>	
	<b>First Tier</b>	<b>Second Tier</b>
2019	100.0%	- %
2018	100.0%	- %

### 4. CAPITAL ASSETS

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

	<b>Balance June 30, 2017</b>	<b>2018 Additions</b>	<b>Balance June 30, 2018</b>	<b>2019 Additions</b>	<b>Balance June 30, 2019</b>
Cost	\$ 75,964	\$ 44,900	\$ 120,864	\$ -	\$ 120,864
Accumulated depreciation	<u>59,768</u>	<u>5,924</u>	<u>65,692</u>	<u>20,890</u>	<u>86,582</u>
Capital assets, net	<u>\$ 16,196</u>	<u>\$ 38,976</u>	<u>\$ 55,172</u>	<u>\$ (20,890)</u>	<u>\$ 34,282</u>

## MASSACHUSETTS GROWTH CAPITAL CORPORATION

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### 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%-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 11). Loans were made between \$10,000 and \$50,000, with a 7.5% interest rate and up to a six-year maturity. During fiscal year 2019, MGCC implemented a new 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 banks amortization (typically 20-25 years).

There were 101 and 118 loans receivable outstanding at June 30, 2019 and 2018, respectively. Loans receivable are stated net of allowance for loan losses as follows at June 30:

	<u>2019</u>	<u>2018</u>
Principal outstanding	\$ 22,443,358	\$ 26,246,616
Less - allowance for uncollectible loans (see Note 6)	<u>3,933,178</u>	<u>3,778,835</u>
Loans receivable, net	<u>\$ 18,510,180</u>	<u>\$ 22,467,781</u>

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

2020	\$ 4,913,769
2021	\$ 4,263,757
2022	\$ 3,481,921
2023	\$ 2,630,194
2024	\$ 1,126,133
Thereafter	\$ 6,027,584

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### **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:

	<b>2019</b>		<b>2018</b>	
	<b>Loans</b>	<b>Interest</b>	<b>Loans</b>	<b>Interest</b>
Balance, beginning of year	\$ 3,778,835	\$ 67,480	\$ 2,742,589	\$ 65,020
Net provision for losses	392,338	25,000	1,292,656	4,539
Write-offs	(237,995)	(35,406)	(256,410)	(2,079)
Balance, end of year	<u>\$ 3,933,178</u>	<u>\$ 57,074</u>	<u>\$ 3,778,835</u>	<u>\$ 67,480</u>

MGCC writes off loan balances when amounts are determined to be uncollectible. In the above write offs, loan balances from two and six companies are included in the fiscal year 2019 and 2018 amounts, respectively.

### **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.

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, 2019 and 2018, were \$187,143 and \$198,856, 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. At June 30, 2019 and 2018, MGCC had commitments to lend of approximately \$6 million and \$3.4 million, respectively.

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, 2019 and 2018, MGCC had three outstanding guarantees with total value of \$1,350,000. These guarantees will expire at various times through July 2020.

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### **8. COMMITMENTS AND OFF-BALANCE SHEET RISK (Continued)**

#### **Facility Lease**

MGCC leases office space in Charlestown, Massachusetts under a six-year lease agreement through August 2022. The lease requires 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 range from \$13,785 to \$17,569 over the lease period.

On September 30, 2014, MGCC signed a one-year lease agreement with the Worcester Regional Chamber of Commerce with the option for four additional terms. Monthly rent payments under this lease agreement are \$200, and the lease renews annually.

Rent expense under these agreements was \$200,300 and \$188,088 for the years ended June 30, 2019, and 2018, respectively, and is included in occupancy in the accompanying statements of revenues and expenses.

Future minimum payments under long-term lease obligations are as follows:

2020	\$ 196,772
2021	\$ 203,259
2022	\$ 209,746
2023	\$ 35,138

### **9. CONCENTRATION OF CREDIT RISK**

MGCC maintains its cash and cash equivalents balances in a bank in Massachusetts and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC) and the Depositors Insurance Fund (DIF). In addition, cash and cash equivalents included in MMDT (see Note 2) are not FDIC or DIF insured. At certain times, these cash balances exceeded the insured amounts. MGCC also holds funds in a bank that is insured under the FDIC limits, but not insured under DIF. As of June 30, 2019 and 2018, MGCC's exposure for uninsured funds was approximately \$3,281,000 and \$3,271,000, respectively. 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.

### **10. 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 (5.50% and 5.00% at June 30, 2019 and 2018, respectively). The line of credit agreement matures on December 31, 2019. The line of credit is secured by substantially all assets. As of June 30, 2019 and 2018, 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, 2019 and 2018.

## **MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Notes to General Purpose Financial Statements  
June 30, 2019 and 2018

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### **11. NOTES PAYABLE**

MGCC entered into a three-year, \$1,000,000, interest free, contract loan with Massachusetts Housing Finance Agency (MHFA) on January 29, 2016. Proceeds from this loan provide MGCC capital for loans to minority and/or women-owned construction contractors. This loan was paid in full during fiscal year 2019.

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. During fiscal years 2019 and 2018, MGCC drew down \$100,000 and \$150,000 of loan proceeds, respectively. 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, 2019 and 2018). This note is secured by all amounts held in the SBA fund. As of June 30, 2019 and 2018, the outstanding principal balance was \$223,459 and \$146,331, respectively. In August 2019, the remaining \$100,000 was drawn down.

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 31,357	\$ 1,846	\$ 32,203
2021	\$ 32,534	\$ 1,750	\$ 34,484
2022	\$ 32,737	\$ 1,547	\$ 34,284
2023	\$ 32,943	\$ 1,341	\$ 34,284
2024	\$ 33,149	\$ 1,135	\$ 34,284
2025 - 2027	\$ 160,739	\$ 2,046	\$ 162,785

### **12. SUBSEQUENT EVENTS**

During fiscal year 2020, MGCC was approved for an additional \$3,100,000 in Commonwealth funds to provide Technical Assistance and Training grants. MGCC expects the contract during fiscal year 2020, which will include quarterly funding thereafter. MGCC will continue to absorb the expenses associated with this program.

During fiscal year 2020, MGCC received an additional \$350,000 loan from SBA to provide micro-loans.

### **13. RELATED PARTY TRANSACTION**

A member of the Board of Directors is the President of a bank where MGCC holds a cash account.

### **14. 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.

**MASSACHUSETTS GROWTH CAPITAL CORPORATION**

**SUPPLEMENTAL INFORMATION  
JUNE 30, 2019**

**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 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.

**MASSACHUSETTS GROWTH CAPITAL CORPORATION**

Supplemental Statement of Net Position  
June 30, 2019

Assets	MGCC	State Small Business Credit Initiative	Federal Title IX Revolving Loan Fund #1	Federal Title IX Revolving Loan Fund #2	Small Business Administration	Total
<b>Current Assets:</b>						
Cash and cash equivalents - restricted	\$ 15,219,120	\$ 12,374,506	\$ 876,515	\$ 799,239	\$ 61,093	\$ 29,330,473
Accounts receivable	8,354	-	500	3,500	-	12,354
Current portion of loans receivable, net of allowance for uncollectible loans of approximately \$877,000	2,478,569	1,041,019	187,400	297,721	31,813	4,036,522
Accrued interest receivable on loans, net of allowance for uncollectible amounts of approximately \$57,000	230,023	78,699	16,442	20,155	1,052	346,371
Prepaid expenses and other	77,574	-	-	-	-	77,574
<b>Total current assets</b>	<b>18,013,640</b>	<b>13,494,224</b>	<b>1,080,857</b>	<b>1,120,615</b>	<b>93,958</b>	<b>33,803,294</b>
Loans Receivable, net of current portion and allowance for uncollectible loans of approximately \$3,056,000	8,987,294	3,569,674	517,837	1,260,735	138,118	14,473,658
Capital Assets, net	34,282	-	-	-	-	34,282
<b>Total assets</b>	<b>\$ 27,035,216</b>	<b>\$ 17,063,898</b>	<b>\$ 1,598,694</b>	<b>\$ 2,381,350</b>	<b>\$ 232,076</b>	<b>\$ 48,311,234</b>
<b>Liabilities and Net Position</b>						
<b>Current Liabilities:</b>						
Accounts payable, accrued expenses and other	\$ 108,248	\$ -	\$ -	\$ -	\$ -	\$ 108,248
Current portion of notes payable	-	-	-	-	31,357	31,357
Interfund (receivable) payable	(2,308,734)	2,308,734	-	-	-	-
<b>Total current liabilities</b>	<b>(2,200,486)</b>	<b>2,308,734</b>	<b>-</b>	<b>-</b>	<b>31,357</b>	<b>139,605</b>
Notes Payable, net of current portion	-	-	-	-	192,102	192,102
<b>Total liabilities</b>	<b>(2,200,486)</b>	<b>2,308,734</b>	<b>-</b>	<b>-</b>	<b>223,459</b>	<b>331,707</b>
<b>Net Position:</b>						
Restricted - State Small Business Credit Initiative	-	14,755,164	-	-	-	14,755,164
Restricted - Federal Title IX RLF	-	-	1,598,694	2,381,350	-	3,980,044
Restricted - SBA Revolving Loan Fund	-	-	-	-	8,617	8,617
Restricted by enabling legislation	29,235,702	-	-	-	-	29,235,702
<b>Total net position</b>	<b>29,235,702</b>	<b>14,755,164</b>	<b>1,598,694</b>	<b>2,381,350</b>	<b>8,617</b>	<b>47,979,527</b>
<b>Total liabilities and net position</b>	<b>\$ 27,035,216</b>	<b>\$ 17,063,898</b>	<b>\$ 1,598,694</b>	<b>\$ 2,381,350</b>	<b>\$ 232,076</b>	<b>\$ 48,311,234</b>

MASSACHUSETTS GROWTH CAPITAL CORPORATION

Supplemental Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2019

	<b>MGCC</b>	<b>State Small Business Credit Initiative</b>	<b>Federal Title IX Revolving Loan Fund #1</b>	<b>Federal Title IX Revolving Loan Fund #2</b>	<b>Small Business Administration</b>	<b>Total</b>
<b>Operating Revenues:</b>						
Interest income on loans	\$ 1,130,765	\$ 639,365	\$ 109,083	\$ 179,098	\$ 8,592	\$ 2,066,903
Interest income on cash reserves	222,151	168,036	575	3,858	55	394,676
Loan origination fees and other	110,216	450	750	6,625	23,748	141,789
Transfer of earnings	403,926	(403,926)	-	-	-	-
Total operating revenues	<u>1,867,058</u>	<u>403,925</u>	<u>110,408</u>	<u>189,581</u>	<u>32,395</u>	<u>2,603,368</u>
<b>Operating Expenses:</b>						
Employee compensation	2,086,755	71,074	25,467	24,076	23,748	2,231,120
Professional fees	212,885	28,192	9,967	16,203	-	267,247
Occupancy	185,737	-	7,040	11,253	-	204,030
Dues and memberships	35,251	-	-	-	-	35,250
Information technology	30,528	-	-	-	-	30,529
Supplies	25,595	-	-	-	-	25,595
Meetings	21,284	-	-	-	-	21,284
Depreciation	20,890	-	-	-	-	20,890
Other expenses	16,867	1,144	-	-	-	18,011
Insurance	17,799	-	-	-	-	17,799
Printing and postage	14,940	-	-	-	-	14,940
Telephone	13,261	-	-	-	-	13,262
Interest expense	9,690	-	-	-	1,062	10,752
Travel	9,433	-	332	517	-	10,282
Advertising	5,296	-	162	242	-	5,700
Portfolio and credit administration	5,654	-	-	-	-	5,654
Maintenance and repair	4,309	-	-	-	-	4,309
Total operating expenses	<u>2,716,174</u>	<u>100,410</u>	<u>42,968</u>	<u>52,291</u>	<u>24,810</u>	<u>2,936,654</u>
Changes in net position from operations before loan loss recovery (provision)	(849,116)	303,515	67,440	137,290	7,585	(333,286)
<b>Loan Loss Recovery</b>	514,604	-	-	-	-	514,604
<b>Loan Loss Provision Transfer</b>	(5,970)	5,970	-	-	-	-
<b>Loan Loss Provision</b>	<u>(58,232)</u>	<u>(11,939)</u>	<u>(148,090)</u>	<u>(199,077)</u>	<u>-</u>	<u>(417,338)</u>
Changes in net position from operations	<u>(398,714)</u>	<u>297,546</u>	<u>(80,650)</u>	<u>(61,787)</u>	<u>7,585</u>	<u>(236,020)</u>
<b>Non-Operating Revenue (Expense):</b>						
State appropriations	2,650,000	-	-	-	-	2,650,000
Grant expense	(2,644,999)	-	-	-	-	(2,644,999)
Total non-operating revenue (expense)	<u>5,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,001</u>
Changes in net position	(393,713)	297,546	(80,650)	(61,787)	7,585	(231,019)
<b>Net Position, June 30, 2018</b>	<u>29,629,415</u>	<u>14,457,618</u>	<u>1,679,344</u>	<u>2,443,137</u>	<u>1,032</u>	<u>48,210,546</u>
<b>Net Position, June 30, 2019</b>	<u>\$ 29,235,702</u>	<u>\$ 14,755,164</u>	<u>\$ 1,598,694</u>	<u>\$ 2,381,350</u>	<u>\$ 8,617</u>	<u>\$ 47,979,527</u>