

OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT

FISCAL 2012 ANNUAL REPORT

The Office of Performance Management & Oversight (OPMO) measures the performance of all public and quasi-public entities engaged in economic development. All agencies are required to submit an Annual Report. The annual reports of each agency will be published on the official website of the Commonwealth, and be electronically submitted to the clerks of the senate and house of representatives, the chairs of the house and senate committees on ways and means and the house and senate chairs of the joint committee on economic development and emerging technologies.

1) AGENCY INFORMATION

Agency Name Massachusetts Convention Center Authority

Agency Head James E. Rooney **Title** Executive Director

Website www.massconvention.com

Address 415 Summer Street, Boston, MA 02210

2) MISSION STATEMENT

Please include the Mission Statement for your organization below.

The Massachusetts Convention Center Authority's (MCCA) mission is to generate significant regional economic activity by attracting conventions, tradeshow, and other events to its world-class facilities while maximizing the investment return for the residents and businesses in the Commonwealth of Massachusetts.

3) OPERATIONS AND ACCOMPLISHMENT DETAILS

Please provide details on the agency's operations and accomplishments for Fiscal Year 2012 as **Attachment A**. Questions 5 through 10 will provide guidance on the type of information required under Chapter 240 of the Acts of 2010.

4) ACCOUNTING

Please provide financial information for your agency. Below please give a summary of *Receipts and Expenditures* during the fiscal year, and include the *Assets and Liabilities* at the end of the fiscal year.

Please include the most recent audited financial report for the agency as **Attachment B**.

Receipts includes revenues and non-operating revenues. Expenditures include depreciation.

	AMOUNT
Receipts	\$99,518,222
Expenditures	\$115,028,224
Assets	\$824,649,806
Liabilities	\$33,909,253

5) INVESTMENTS OR GRANTS TO BUSINESSES OR INDIVIDUALS

Does your agency make **investments** and/or provide **grants** to businesses or individuals? Yes No

If **Yes**, please provide detailed information on investments and/or grants made during FY12 in the Operations and Accomplishments Section of this report. Information should include the number, nature and amounts of investments made and grants awarded by your agency along with job, investment and/or other economic development impact. Please list the name(s) of the investment and/or grant programs offered by your agency in the space provided below:

NA

6) DEBT OR EQUITY INVESTMENT DETAILS

Is your agency involved in **debt** or **equity investments** for businesses? Yes No

If **Yes**, please provide detailed information on debt and/or equity investments made during FY12 in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the name(s) of the debt and/or equity investments programs offered by your agency in the space provided below:

NA

7) LOAN DETAILS

Is your agency involved in **real estate loans, working capital loans, or any other type of loan or guarantee**? Yes No

If **Yes**, please provide detailed information on loan(s) and/or guarantee(s) made during FY12 in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the types of loan(s) and/or guarantee(s) offered by your agency in the space provided below:

The MCCA is not a typical lender; however, in FY12 the MCCA did provide a real estate loan to the Boston Tea Party Ship and Museum (see Attachment A).

8) OTHER FORMS OF FINANCING OR FINANCIAL ASSISTANCE?

If your agency provides any other form of financing or financial assistance please include FY12 details in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the types of other forms of financing offered by your agency in the space provided below:

NA

9) PATENTS OR PRODUCTS

Does your agency track **patents** or **products** resulting from agency-funded activities? Yes No
If **Yes**, please include details in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the agency-funded activities of your agency that promote patent and product advancement in the space provided below:

NA

10) TECHNICAL ASSISTANCE

If your agency provides technical assistance, please provide detailed information on technical assistance provided during FY12 in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the name(s) of the technical assistance programs offered by your agency in the space provided below:

NA

PLEASE NOTE:

THE FISCAL YEAR 2013 ANNUAL REPORT WILL REQUIRE DETAILS OF ABOVE MENTIONED CATEGORIES AS WELL AS PERFORMANCE TO PLAN AS OUTLINED IN YOUR AGENCY'S FISCAL 2013 BUSINESS PLAN. THE OFFICE OF PERFORMANCE MANAGEMENT AND OVERSIGHT WILL ANNUALLY RE-EVALUATE THE GOALS AND MEASURES ESTABLISHED BY THE AGENCIES. THE OFFICE WILL RECOMMEND CHANGES TO GOALS AND MEASURES AS ARE APPROPRIATE TO ALIGN WITH THE STATEWIDE ECONOMIC DEVELOPMENT POLICY AND PLAN.

FILING INSTRUCTIONS:

THE FISCAL YEAR 2012 REPORT IS DUE NO LATER THAN MONDAY, OCTOBER 1ST. AN ELECTRONIC COPY OF THE REPORT AND ATTACHMENTS A & B SHOULD BE E-MAILED TO ROB.ANDERSON@STATE.MA.US. THE OFFICE OF PERFORMANCE MANAGEMENT AND OVERSIGHT WILL REVIEW REPORTS PRIOR TO FILING WITH LEGISLATURE AND POSTING TO THE WEBSITE.

Boston Tea Party Ship and Museum Board Brief

Introduction

In connection with the MCCA's mission to generate significant economic impact, to host meetings and conferences and to promote tourism in the Boston metropolitan area, the MCCA proposes to partner with Historic Tours and to invest \$18 million into the Tea Party Ship site. This investment would allow Historic Tours to complete construction and commence operations within the next two years and provide the MCCA with a new, unique meeting location in its portfolio.

Background

In August 2001, lightning sparked a fire at the Boston Tea Party Ship and Museum (BTPSM), which damaged the museum's entrance and exit. Due to extensive fire damage, the entire existing site was demolished. As a result of the substantial efforts of an experienced historical tourism company, plans have been formulated for a new interactive facility to be constructed in its place.

Historic Tours of America has been the owner and operator of the BTPSM since 1993 and has obtained the rights to the Tea Party Ship site by lease from the City of Boston. Historic Tours has made a significant investment, approximately \$4 million, in the restoration and expansion of the site as a major tourist attraction. In addition, the Boston Redevelopment Authority has authorized a \$3 million grant from the City of Boston to support the renovation and expansion of the site; however, Historic Tours has been unable to obtain financing for the remainder of the costs of the project, approximately \$18 million due to the collapse of the capital markets and the uniqueness of an attraction credit.

The \$25 million reconstruction and expansion will consist of approximately 6,840 square feet under roof on the first level, including a gift shop and museum. Museum space will be expanded to twice its previous size and will offer a multitude of easy, understandable exhibits, video presentations, living history programs, and memorabilia, including one of the two known surviving tea chests from the December 16, 1773 Boston Tea Party. On the second floor, there will be approximately 4,640 square feet of space, including a Boston Tea Party Tavern and Tea Room, which will offer food service and can accommodate special catered events.

Form of Investment

The MCCA would loan Historic Tours up to \$18,000,000 via a draw from the Convention Center Fund through a 21-year loan agreement with an annual percentage rate of 4.5%. The rate is commensurate with current Bond Buyer's 20 Bond Index and the 20-year historical average of the 1-Year LIBOR rate. After review of the appraisal and developing multipliers from historical results and comparable attractions, the MCCA believes the Boston Tea Party Ship and Museum could generate a net operating income of \$1.5 - \$1.8 million per year, which would more than cover debt service. The return over the life of the loan is valued at \$29 million.

In addition to the loan repayments, the MCCA has the opportunity of being able to use the facility as a means to achieve their basic mission of attracting convention groups to the city. As

such, the MCCA will be in a position to a) be a full sponsor of the facility; b) use the facility for a certain number of events for corporate, convention and visitor entertainment; and, c) have a certain number of complementary pass opportunities for use in marketing and convention sales. This package is valued at approximately \$150,000 per year.

Finally, the Boston Tea Party Ship and Museum does have an attraction component to its operations; therefore, under Chapter 152 of the Acts of 1997, the BTPSM is required to send 5% of its attraction proceeds to the Convention Center Fund, which amounts to approximately \$215,000 annually.

Economic Impact

During the construction phase, the anticipated investment is expected to support approximately 45 full-time equivalent jobs for 16-months across all areas of the construction industry including electricians, carpenters, and steelworkers. Additionally, the number of full-time jobs created to support operations is approximately 25-30 jobs including management, maintenance, food and beverage and retail positions.

Summary

This proposal represents an exceptional partnership between a private operator, a state Authority and a City all working towards the goal of enhancing the overall City of Boston's visitor industry. As one of the preeminent events leading up to the Revolutionary War, the Boston Tea Party Ships and Museums represents a significant part of American history, and the reconstruction and expansion of the Tea Party Ship site will provide students and families with an interactive way of learning history and the importance of their city's role during this time period. Finally, the Boston Tea Party Ship and Museum will compliment the MCCA's mission to generate significant regional economic activity and maximizing the investment return for the residents and businesses in the Commonwealth of Massachusetts and generate future sustainable jobs for the citizen's of Boston.

Board Action Required

The MCCA has the full support of the Commonwealth and the City regarding this transaction and has already successfully executed a Memorandum of Agreement with the Commonwealth regarding the transfer of the \$18 million from the Convention Center Fund to the MCCA.

The Board will be asked to approve the loan to Historic Tours of America in an amount not too exceed \$18 million.

Expected Board Presentation Date

October

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

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION
AND ADDITIONAL INFORMATION**

FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

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

INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS,
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Independent Auditors' Report

Independent Auditors' Report

To the Board Members
Massachusetts Convention Center Authority
Boston, Massachusetts 02210

We have audited the accompanying financial statements of the Massachusetts Convention Center Authority (the Authority), a component unit of the Commonwealth of Massachusetts, as of and for the fiscal years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2012 and 2011, and the change in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 14) and certain pension and other postemployment benefits information (located on pages 35 through 38) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements. The additional information on pages 39 through 41 is presented for purposes of additional analysis and is not a required part of the financial statements. The additional information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

September 18, 2012

Management's Discussion and Analysis

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) comments on the Massachusetts Convention Center Authority's operations, performance and financial condition for the fiscal years ended June 30, 2012 and June 30, 2011.

The MD&A is presented in four sections:

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

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

Summary of Financial Performance reviews the key measures we use to assess our performance and how our results in 2012 compare to our results in 2011, and how our results in 2011 compare to our results in 2010. It also provides detailed information and analysis about our performance for the past two years. It focuses on our operating results and provides financial information for each of our four facilities.

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

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

About Forward Looking Statements

Statements made in this MD&A, that describe the Authority's or management's objectives, projections, estimates, expectations or predictions of the future may be "forward-looking statements", which can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "should", "estimates", "anticipates", or the negative thereof or other variations thereon. The Authority cautions that, by their nature, forward-looking statements involve risks and uncertainties, and that its actual actions or results could differ materially from those expressed or implied in such forward-looking statements, or could affect the extent to which a particular projection materializes. You will find a more detailed assessment of the risks that could cause our actual results to materially differ from our current expectations in the *Risk Assessment* section of this MD&A.

About the Financial Statements

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

BACKGROUND

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

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

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

In the fiscal year 2003 budget for the Commonwealth, several provisions were enacted affecting the operations, marketing and financial activities of the MCCA. Most significantly, it eliminated the Authority's funding for its net operating costs from the State Tourism Fund. This funding mechanism was replaced in fiscal year 2004 by disbursements from the Convention Center Fund, created by the 1997 Convention Center Act, which authorized the Commonwealth to provide the Authority with up to \$17 million for operating expenses from the fund. This use requires that the State Treasurer and Secretary of Administration and Finance annually certify the availability of funds within the \$17 million cap after payment of debt service which is required to be made first. This funding cap was subsequently increased to \$23 million in fiscal year 2005.

The fiscal year 2003 State budget also authorized but did not effectuate the transfer of ownership of two MCCA assets - the Hynes and the Boston Common Garage - to the Pension Reserves Investment Trust Board. To effectuate the transfer, additional legislative action would be required. In July of 2004, the legislature created a special legislative study commission that would work with the Authority to understand further the use of the Hynes and Boston Common Garage properties. In the fiscal year 2008 State budget, based on the recommendation of the Committee, the transfer of ownership of the two MCCA assets was repealed.

The Authority is considered a component unit of the Commonwealth of Massachusetts for financial statement reporting purposes.

ABOUT OUR BUSINESS

WHAT WE DO

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

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

MANAGEMENT'S OBJECTIVES AND STRATEGY

The Authority's mission is to generate significant regional economic activity by attracting conventions, tradeshow, and other events to its world-class facilities while maximizing the investment return for the residents and businesses in the Commonwealth of Massachusetts. To accomplish this, the Authority's management operates the business consistent with strategic business principles for success in the short term and over time. The Authority strives to become a Top 5 convention destination in North America, remain a leading destination in North America for international events, and provide the best experience to our customers and consistently exceed their expectations of Boston. The Authority identifies the following five priorities critical to the success of this vision: customer service and hospitality leadership, technology leadership, expansion and hotel development, financial self-sufficiency and employee engagement. Unifying the management team and the Authority's dedicated employees and contractors in achieving these priorities is part of the Authority's overarching goal, and management believes it is critical to becoming a true leader in the meetings industry.

SUMMARY OF FINANCIAL PERFORMANCE

2012

The Authority performed exceptionally well in fiscal year 2012 notwithstanding the economic environment. All three convention centers realized an increase in revenues due to strong event activities and were able to maintain, and in some cases reduce, their expense levels based on an unseasonably warm winter and financially advantageous contracts, such as cleaning and escalator maintenance. In addition, the Boston Common Garage realized a significant increase in revenues due to an increase in activities coupled with the implementation of a price adjustment in the beginning of the fiscal year. Finally, the Authority maintained a level funding policy for administrative and marketing and sales support which held throughout the year.

Overall the Authority performed significantly better than the previous fiscal year.

2011

As anticipated, the MCCA realized a year-over-year decrease in revenues due to an anticipated decrease in BCEC revenues and lower interest income. The Hynes and Boston Common Garage realized slight increases, while the MassMutual Center realized a significant increase based on a greater focus on arena events and advertising revenues. The Authority implemented and held to a reduced spending plan based on the projected decrease in revenues, which allowed the Authority to finish the year below budget.

In planning for the future, the Authority booked a \$550,000 operating reserve expense to fund activities associated with the 2014 PCMA event, which brought the Authority's overall funding requirement to just below the \$23 million cap.

RESULTS OF OPERATIONS

Operating Revenues – 2012

Total operating revenues for 2012 increased 10.9% to \$50.2 million compared with a decrease of 4.3% in 2011 and an increase of 6.2% in 2010.

Convention services income increased 16.7% to \$17.1 million, food and beverage income increased 4% to \$6.4 million and convention rental income increased 9.1% to \$14.3 million. The increase in convention services income was anticipated given the projected increase in the quality of events planned for the BCEC and Hynes plus additional unanticipated revenues from the MMC. Revenues at the BCEC increased 12.7% year-over-year even with a decrease in the number of bull's eye events, as the quality (average revenues) for all the event types increased considerably. The Hynes realized an increase in revenues of 7.2% due primarily to an increase in the number and quality of bull's eye events, particularly in the area of food and beverage, which was slightly offset by a decrease in the number and quality of "other" long-term events and short-term events.

The MMC again achieved double-digit growth in revenues for the second year in a row, realizing an amazing 20.8% increase in revenues. On the arena side, the addition of three graduations as well as Disney coming back for a full run contributed to this year's increase. However, the vast majority of the increase was a result of operations on the convention center side due to increased convention booking activity as well as continuing the introduction of non-traditional events, such as concerts and wrestling, to the event mix.

The 2012 Boston Common Garage revenues increased 6.9% due to a modest increase in monthly parkers, a significant increase in transient parkers, and a price adjustment made in the beginning of the fiscal year.

Commercial revenues increased 35.8% due to the commencement (January 2012) of the Westin Waterfront Land Lease payments, which resulted in new revenues totaling \$250,000.

Operating Revenues – 2011

Total operating revenues for 2011 decreased 4.3% to \$45.2 million compared with an increase of 6.2% in 2010 and a decrease of 14.6% in 2009.

Convention services income decreased 7.0% to \$14.6 million, food and beverage income decreased 23.7% to \$6.1 million and convention rental income remained relatively flat at \$13.2 million. The decrease in convention services and food and beverage income was anticipated given the decrease in the number of events and quality of events projected for the BCEC and Hynes. Revenues at the BCEC decreased 10.1% year-over-year, which was largely driven by an almost 50% decrease in the average revenue per short-term event. The MCCA is currently reviewing short-term events to determine a specific cause, other than the continued economic recession, and future action to remedy this situation. Decreases in Hynes' convention revenues were offset by the introduction of commercial revenues from the opening of Towne Stove and Spirits, which generated \$888 thousand in revenue for the MCCA during the first full year of operations.

Compared to 2010, the MassMutual Center realized a remarkable 9.8% increase in revenues after two years of flat performance. While convention services income remained flat, the MMC realized increases in rental income and food and beverage revenue driven by an enhanced focus on attracting arena events, a new incentive area for Global Spectrum. Additionally, the boost in arena events generated an increase in advertising revenues.

The 2011 Boston Common Garage revenues increased slightly, 0.6%, to \$9.7 million.

Operating Expenses - 2012

Overall, the Authority's operating expenses increased slightly to \$115.0 million. Adjusting for depreciation, the Authority's 2012 operating expenses increased 1.0% to \$74.8 million, compared to \$74.0 million in 2011.

Last year, the Authority predicted a shift of approximately \$1.3 million from contracted services to salaries and benefits due to a full-years' worth of expenses in association with the Public Safety staff transition, which was fully realized in 2012. Finally, the Authority realized a significant decrease in utility expenses due to an unseasonably warm winter, which was offset by variable expenses associated with the increase in convention activities.

Operating Expenses - 2011

The Authority's total operating expenses, including depreciation, remained relatively flat for a second year in a row at \$112.3 million. Adjusting for depreciation, the Authority's 2011 operating expenses increased slightly to \$74.0 million compared with \$72.8 million in 2010. As the Authority continued to deal with the economic recession, costs saving measures implemented in 2010 were continued into 2011.

The most significant change in the nature of the Authority's operating expenses resulted from the completed transition of the Public Safety staff, which began in May 2010 and ended in December 2010. As a result, contracted services expenses were decreased almost \$1.5 million and were off-set by an equal increase in salaries and benefits. The Authority anticipates another \$1.3 million shift of contracted services expenses to salaries and benefits in 2012, which would represent the final transition of expenses. Finally, the Authority continued to realize transitional expenses associated with the switch to Levy.

Non-Operating Revenues (Expenses), Net - 2012

Fiscal year 2012 non-operating revenues (expenses), net, decreased to \$49.4 million, principally due to a decrease in the net operating funding requirement. As of the date of this report, the Authority has received all reimbursements due from the activities of fiscal year 2012.

Interest Received on Loans Receivable

Interest received on loans receivable from the Boston Tea Party Ship and Museum totaled \$445,309 during fiscal year 2012 and is expected to remain steady in accordance with the loan agreement.

Investment Income

Due to market conditions consistent with the past several years, investment income continued its downward trend during fiscal year 2012.

Federal Grants

The Authority received \$120,624 in federal funding through the state for use in conducting an analysis and review of the BCEC as an emergency response facility.

Non-Operating Revenues (Expenses), Net - 2011

Fiscal year 2011 non-operating revenues (expenses), net, decreased to \$52.2 million, principally due to a decrease in state funding, as the Authority only requested routine reimbursements from the Convention Center Fund, other than the monies to fund the Massachusetts Office of Travel and Tourism. As of the date of this report, the Authority has received all reimbursements due from the activities of fiscal year 2011.

Investment Income

Investment income continued to remain low in 2011, due to low interest rates and a low cash balance.

Federal Grants

The Authority received \$11,715 in federal funding through the state for use in procuring Public Safety equipment in accordance with our grant application.

COMPARISON TO BUDGET**Operating Revenues - 2012**

Fiscal year 2012 total operating revenues were \$7.2 million higher than budget due to better than anticipated performance at all four facilities. Overall, the BCEC generated the greatest portion of this increase; more than \$5.5 million due to far greater levels of support service revenues, such as rigging, internet and parking, then budgeted, generating \$25.5 million in total revenues. The Hynes contributed more than \$1 million to the increase based entirely on the unanticipated performance of the food and beverage operations, generating almost \$10.7 million in total revenues. The BCEC and Hynes generated the second highest level of annual revenues, as compared to the pre-recession highs experienced in 2008. The MMC contributed over \$500 thousand towards the increase due entirely to increased rental revenues and finished the year at \$3.6 million. Finally, the BCG revenues (parking fees) were just slightly over budget at \$10.4 million.

Operating Revenues - 2011

Fiscal year 2011 total operating revenues were \$1.8 million higher than budget, due to better than anticipated performance at the Hynes, BCG, and the MMC offset by lower than budgeted revenues at the BCEC. Rental income for all three facilities was higher than anticipated. Convention services and food and beverage income were higher at the Hynes and MMC but lower at the BCEC. Overall, the BCEC generated \$101 thousand less than anticipated based on a significant reduction in the quality of short-term events, which was offset by an increase in revenues associated with bull's eye events, notably Choice Hotels. Hynes revenues were \$1.4 million higher than budget based on unbudgeted utility revenues from the commercial space (which were offset by corresponding expenses) and an overall increase in the quality of all types of events. The MMC performed \$412 thousand over budget due to increased arena activities and a slight boost in convention activities. Finally, the BCG revenues (parking fees) were just slightly over budget at \$9.7 million.

Operating Expenses - 2012

For 2012, the Authority's operating expenses were \$4.4 million over budget, including a \$1.3 million accrual for activities associated with the 2014 PCMA event. Additionally, the long-term sales team completed another record breaking year of sales, which resulted in higher than anticipated costs of sales. Finally, variable expenses, such as rigging, transportation, cleaning and part-time salaries, at the BCEC were higher than anticipated based on the increase in associated convention revenues.

Operating Expenses - 2011

For 2011, the Authority's operating expenses were \$1.5 million over budget, including the \$550 thousand accrual for activities associated with the 2014 PCMA event. Additionally, the long-term sales team completed a record breaking year of sales, which resulted in higher than anticipated costs of sales. Finally, the transition of our food and beverage provider, Levy, continued into 2011, which resulted in unanticipated expenses of \$200 thousand at the BCEC and Hynes combined.

Nonoperating Revenues (Expenses), Net - 2012

The Authority's nonoperating revenues (expenses) were in line with budget.

Nonoperating Revenues (Expenses), Net - 2011

The Authority's nonoperating revenues were \$310 thousand under budget due to lower than anticipated interest income based on continued low interest rates and cash balances.

KEY PERFORMANCE METRICS

	2012	2011	2010
MCCA Operating Coverage Ratio (including investment income, interest on loans; excluding depreciation and MOTT)	0.73	0.66	0.69
Rev. PGSF (BCEC)	\$35.83	\$31.78	\$35.34
Rev. PGSF (Hynes), excluding commercial space	\$34.19	\$31.35	\$33.70
Rev. PGSF (MMC - Con Center)	\$18.35	\$12.00	\$10.33
Revenue per Attendee (MMC) - Arena	\$7.92	\$6.55	\$5.92
Avg. Revenue per Space per Day (Common Garage)	\$20.77	\$19.44	\$19.30

Management believes that an important measure of the Authority's financial performance is its operating coverage ratio, which reveals the degree to which gross revenues from operations cover gross operating expenses (before depreciation). Use of this ratio reveals, in part, the degree to which the Authority must rely on non-operating revenue to underwrite the net cost of operations.

In 2012, 2011 and 2010, the Authority's operating coverage ratio (after investment income and interest on loans; and before depreciation) was 0.73, 0.66, and 0.69, respectively. The main drivers of this significant increase in 2012 were a significant increase in the quality and number of events hosted at all three properties, higher parking activities, an unseasonably warm winter and advantageous contract positions. Management believes this ratio will fluctuate between 0.65 and 0.75 depending on event activities given the Authority's current revenue and cost structure.

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

For 2012, the BCEC and Hynes realized significant increases in Rev. PGSF. The Hynes increase of 9.1% was entirely unanticipated as budget had the performance flat-lined. Similarly, the BCEC's Rev PGSF increase of approximately 12.7% to \$35.83 was also unexpected. Both centers hosted fewer large events; however, the quality of the events increased dramatically year-over-year resulting in much higher levels of performance.

The MassMutual Center's arena top-line performance, as measured by revenue per attendee, increased from \$6.55 in 2011 to \$7.92 in 2012. The addition of three graduations as well as Disney coming back for a full run contributed to this year's increase. AHL tenant revenue remained very strong for fiscal year 2012. The other tenant team also performed better than anticipated actually making the playoffs. All these strong events offset the losses that occurred with the MAAC Conference Championships. Management expects fiscal year 13 results to be relatively flat to fiscal year 2012 on the arena side. Measured as revenue per gross square foot, performance on the convention center side increased from \$12.00 in fiscal year 2011 to \$18.35 in fiscal year 2012. This is the result of increased convention booking activity as well as continuing the introduction of non-traditional events, such as concerts and wrestling, to the event mix. Management's outlook for the coming year is a slight increase or maintaining the current convention activity and revenue per gross square foot.

The BCG performance is measured by its Revenue per Space per Day, which is the total parking revenue achieved in the fiscal year divided by the facility's total number of available spaces per year (1,367 spaces times 365 days). Management believes this metric is a good reflection of our ability to "turn" the space during the day to maximize daily occupancy. In 2011, Common Garage Revenue per Space was \$20.77, higher than 2011 due to increased activity and some price adjustments.

ASSETS

	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	% Change 2012-2011	% Change 2011-2010
Cash and Cash Equivalents	\$19,328,882	\$18,170,712	\$6,878,479	6%	164%
Restricted Cash and Cash Equivalents, including Cash held by Commonwealth	11,381,721	16,016,079	0	-29%	N/A
Grants (including Restricted Grants) Receivable from Commonwealth	12,299,159	14,201,570	52,556,671	-13%	-73%
Convention Receivables, Loans Receivable (current) and Prepaid Expenses	6,100,814	3,549,278	6,953,621	72%	-49%
Long-term Loans Receivable	15,046,564	1,983,921	0	658%	N/A
Capital Assets, Net *	760,492,666	779,019,221	791,618,591	-2%	-1%
Total Assets	\$824,649,806	\$832,940,781	\$858,007,362	-1%	-3%

* The fiscal year 2010 balance was restated to reflect the granting of air rights to the Authority by the Boston Redevelopment Authority.

Cash and Cash Equivalents – Reflect monies on hand from Authority operations.

Restricted Cash and Cash Equivalents, including Cash Held by Commonwealth – Reflect the Authority's cash on hand restricted to the Boston Tea Party Ship and Museum, Inc. loan, and restricted escrow amounts related to the 2014 PCMA event. This balance also reflects cash held by the Commonwealth on behalf of the Authority for environmental remediation.

Grants (including Restricted Grants) Receivable From Commonwealth - Reflect the receivable due from the Commonwealth from the Convention Center Fund to offset the Authority's net cost of operations, pay-go capital program and advance related to the 2014 PCMA event.

Convention Receivables, Loans Receivable (current) and Prepaid Expenses - Reflect the Authority's receivables from operations, current loans receivable from the Boston Tea Party Ship and Museum, Inc., and prepaid assets such as insurance, which are expensed over time.

Long-term Loans Receivable - Reflect the Authority's noncurrent loans receivable from the Boston Tea Party Ship and Museum, Inc.

Capital Assets, Net - Reflect the Authority's investment in land and capitalized assets less accumulated depreciation.

LIABILITIES AND NET ASSETS

	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	% Change 2012-2011	% Change 2011-2010
Payables, Accrued Expenses, Deposits and Deferred Revenue, and Compensated Absences (current)	\$23,045,998	\$23,001,974	\$34,117,292	0%	-33%
Environmental Remediation	6,204,618	0	0	NA	NA
Accrued Compensated Absences, Noncurrent	1,149,860	1,035,100	953,073	11%	9%
Net OPEB Obligation	3,508,777	2,653,152	1,851,618	32%	43%
Net Assets - (Invested in Capital Assets, Net of Related Debt) *	760,492,666	779,019,221	778,396,991	-2%	0%
Net Assets - Restricted for Loans and Other	4,556,721	16,016,079	18,000,000	-72%	0%
Net Assets - (Unrestricted)	25,691,166	11,215,255	24,688,388	129%	-63%
Total Liabilities and Net Assets	\$824,649,806	\$832,940,781	\$858,007,362	-1%	-3%

* The fiscal year 2010 balance was restated to reflect the granting of air rights to the Authority by the Boston Redevelopment Authority.

Payables, Accrued Expenses, Deposits and Deferred Revenue and Compensated Absences (current) - Reflect the Authority's current responsibilities applicable to vendors, pension obligations, short-term accrued sick and vacation pay benefits and deposits received for future shows.

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

Accrued Compensated Absences, Noncurrent - Reflect the Authority's long-term accrued sick and vacation pay benefits.

Net OPEB Obligation - Reflect the Authority's retiree OPEB obligations as calculated in accordance with GASBS #45.

Net Assets (Invested in Capital Assets) - Reflect the Authority's total investments in capital assets, net of accumulated depreciation and related debts.

Net Assets (Restricted for Loans and Other) - Reflect the Authority's restricted amounts related to loans to the Boston Tea Party Ship and Museum, Inc. and the 2014 PCMA event.

Net Assets (Unrestricted) - Reflects the accumulated revenues and expenses from Authority's operations, including proceeds from the Convention Center Fund and remaining monies from the Hynes restoration and renovation fund.

CONSTRUCTION ACTIVITIES

During fiscal year 2012, the Authority continued to significantly invest in technology and infrastructure needs associated with its 20-year, \$630 million capital reinvestment program. The program provides the Authority with the projected future capital requirements necessary to keep the Authority's assets in excellent working condition. In addition, the Authority has a number of on-going capital projects, such as Hynes MTA tunnel, Hynes elevators and restrooms, BCEC master planning, BCEC waterproofing and Administrative upgrades, representing over \$51 million in committed projects of which \$27.8 million has been spent to date (see Note 13).

RISK ASSESSMENT

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

The Authority has hands-on management teams for each of the facilities it operates. Although the Authority believes that its real estate portfolio is significantly diversified, a material reduction in demand for space at any of its facilities could have a material impact on its ability to lease its space which would consequently impact its cash flows and operating results adversely.

Basic Financial Statements

STATEMENTS OF NET ASSETS

JUNE 30, 2012 AND 2011

ASSETS	2012	2011
Current assets:		
Cash and cash equivalents.....	\$ 19,328,882	\$ 18,170,712
Restricted cash and cash equivalents.....	3,256,721	16,016,079
Cash held by Commonwealth for environmental remediation.....	8,125,000	-
Receivables, net of allowance for uncollectible amounts:		
Grants receivable from the Commonwealth.....	10,999,159	14,201,570
Convention receivables, net.....	4,584,954	2,655,365
Loans.....	246,715	-
Restricted grants receivable from the Commonwealth.....	1,300,000	-
Prepaid expenses.....	1,269,145	893,913
Total current assets.....	49,110,576	51,937,639
Noncurrent assets:		
Receivables, net of allowance for uncollectible amounts:		
Loans.....	15,046,564	1,983,921
Capital assets not being depreciated.....	96,951,042	99,443,929
Capital assets, net of accumulated depreciation.....	663,541,624	679,575,292
Total noncurrent assets.....	775,539,230	781,003,142
Total assets.....	824,649,806	832,940,781
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses.....	11,854,695	13,020,801
Deposits and deferred revenue.....	10,224,492	9,090,947
Accrued compensated absences.....	966,811	890,226
Total current liabilities.....	23,045,998	23,001,974
Noncurrent liabilities:		
Environmental remediation.....	6,204,618	-
Accrued compensated absences.....	1,149,860	1,035,100
Net OPEB obligation.....	3,508,777	2,653,152
Total noncurrent liabilities.....	10,863,255	3,688,252
Total liabilities.....	33,909,253	26,690,226
NET ASSETS		
Invested in capital assets, net of related debt.....	760,492,666	779,019,221
Restricted for:		
Loans.....	2,706,721	16,016,079
Other.....	1,850,000	-
Unrestricted.....	25,691,166	11,215,255
Total net assets.....	\$ 790,740,553	\$ 806,250,555

See notes to basic financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN FUND NET ASSETS

FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Convention services income.....	\$ 17,051,287	\$ 14,608,902
Convention rental income.....	14,345,992	13,154,537
Food and beverage.....	6,374,639	6,127,218
Parking fees.....	10,360,893	9,693,259
Commercial revenue.....	1,205,701	887,903
Other.....	<u>815,814</u>	<u>757,449</u>
 TOTAL OPERATING REVENUES.....	 <u>50,154,326</u>	 <u>45,229,268</u>
 OPERATING EXPENSES		
Salaries and benefits - operating.....	20,536,202	19,109,830
Salaries and benefits - administrative.....	5,689,511	5,657,141
Other operating expenses.....	20,980,982	19,183,157
Contracted services.....	19,855,901	21,386,875
Utilities.....	7,701,013	8,681,663
Depreciation.....	<u>40,264,615</u>	<u>38,260,161</u>
 TOTAL OPERATING EXPENSES.....	 <u>115,028,224</u>	 <u>112,278,827</u>
 OPERATING LOSS.....	 <u>(64,873,898)</u>	 <u>(67,049,559)</u>
 NONOPERATING REVENUES (EXPENSES)		
Massachusetts Convention Center Fund - Commonwealth grant.....	48,790,460	52,135,844
Federal grants.....	120,624	11,715
Interest received on loans receivable.....	445,309	-
Investment income.....	<u>7,503</u>	<u>67,176</u>
 TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	 <u>49,363,896</u>	 <u>52,214,735</u>
 CHANGE IN NET ASSETS.....	 (15,510,002)	 (14,834,824)
 NET ASSETS AT BEGINNING OF YEAR.....	 <u>806,250,555</u>	 <u>821,085,379</u>
 NET ASSETS AT END OF YEAR.....	 <u>\$ 790,740,553</u>	 <u>\$ 806,250,555</u>

See notes to basic financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users.....	\$ 49,358,282	\$ 47,654,758
Payments to vendors.....	(49,223,609)	(45,512,337)
Payments to employees.....	(26,034,368)	(24,537,633)
NET CASH FROM OPERATING ACTIVITIES.....	(25,899,695)	(22,395,212)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidy - Massachusetts Convention Center Fund.....	50,692,871	90,490,945
Federal grants.....	120,624	11,715
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	50,813,495	90,502,660
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets.....	(23,658,442)	(25,660,791)
Garage payments to Commonwealth.....	-	(13,221,600)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(23,658,442)	(38,882,391)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans issued.....	(13,309,358)	(1,983,921)
Interest received on loans receivable.....	445,309	-
Investment income.....	7,503	67,176
NET CASH FROM INVESTING ACTIVITIES.....	(12,856,546)	(1,916,745)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(11,601,188)	27,308,312
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (includes \$16,016,079 as restricted cash at June 30, 2011).....	34,186,791	6,878,479
CASH AND CASH EQUIVALENTS AT END OF YEAR (includes \$3,256,721 as restricted cash at June 30, 2012).....	\$ 22,585,603	\$ 34,186,791
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating income (loss).....	\$ (64,873,898)	\$ (67,049,559)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Changes in assets and liabilities not requiring cash flows:		
Depreciation.....	40,264,615	38,260,161
Net OPEB obligation.....	855,625	801,534
Changes in assets and liabilities requiring cash flows:		
Convention receivables, net.....	(1,929,589)	3,166,548
Prepaid assets.....	(375,232)	237,795
Accounts payable and accrued expenses.....	(1,166,106)	2,700,029
Deposits and deferred revenue.....	1,133,545	(741,058)
Accrued compensated absences.....	191,345	229,338
Total adjustments.....	38,974,203	44,654,347
NET CASH FROM OPERATING ACTIVITIES.....	\$ (25,899,695)	\$ (22,395,212)

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

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

B. Reporting Entity**Establishment and Background**

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

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

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

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

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

Funding

The Act, as amended by Section 439 of Chapter 26 of the Acts of 2003, created the Convention Center Fund (Fund). The purpose of the Fund is to provide funding for the activities of the Authority. Section 439 amended Section 10(c) of the Act authorizing up to \$23 million annually to defray the Authority's net cost of operations from its activities as well as providing for reserves for capital and current expenses of the Authority. During fiscal year 2012, the Authority requested reimbursements from the Fund totaling \$48,790,460 for the net cost of operations (\$20,150,848), the pay-go capital program (\$23,639,612) and other programs (\$5,000,000). During fiscal year 2011, the Authority requested reimbursements from the Fund totaling \$52,135,844 for the net cost of operations (\$22,920,685), the pay-go capital program (\$24,215,159) and other programs (\$5,000,000).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

The Authority applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

D. Cash and Cash Equivalents and Investments

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

Investments are carried at fair value.

E. Restricted Assets

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

Cash has been restricted for future loan issuances to the Boston Tea Party Ship and Museum, Inc. and for funds received in advance from the Commonwealth for future costs related to the Authority hosting the 2014 Professional Convention Management Association (PCMA) event.

Grants receivable from the Commonwealth has been restricted for monies requested by the Authority from the Commonwealth for future costs related to the Authority hosting the 2014 PCMA event.

F. Accounts Receivable

Grants From the Commonwealth

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

Convention

Convention receivables are stated net of an allowance for doubtful accounts. The allowance is established by management to provide for potential bad debts based on current information available and past experience. At June 30, 2012 and 2011, the allowance for doubtful accounts amounted to \$246,593 and \$55,510, respectively.

Loans

The Authority has authorized an \$18,000,000 loan to the Boston Tea Party Ship and Museum, Inc. for the construction of the Boston Tea Party museum and historical replica ships. Loans are recorded as receivables upon issuance. Outstanding loans at June 30, 2012 and June 30, 2011 totaled \$15,293,279 and \$1,983,921, respectively.

G. Prepaid Expenses

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

H. Capital Assets

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

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

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

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>	<u>Capitalization Threshold (\$)</u>
Land.....	N/A	50,000
Buildings and improvements.....	5 - 30	50,000 - 250,000
Equipment and fixtures.....	3 - 5	5,000

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

I. Revenue Recognition

Revenues are recognized on the accrual basis of accounting. The BCEC, Hynes Convention Center and MassMutual Center revenues consist primarily of rental income and income for services such as electricity, air, water, telephone, cleaning, security, internet access, equipment and food. Boston Common Garage revenue consists of parking fees.

J. Compensated Absences (Vacation Pay and Sick Leave Benefits)

All union employees are contractually entitled to receive vacation pay benefits and, upon retirement, sick leave benefits. In addition, the Authority has extended a similar, but more limited, benefit to all other eligible employees. Vacation pay and sick leave benefits accrued for employees at June 30, 2012 and June 30, 2011, totaled approximately \$2,117,000 and \$1,925,000, respectively, and is reflected in the accompanying statements of net assets as accrued compensated absences.

K. Net Assets

Net assets are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net assets have been "restricted" for the following:

"Loans" represents amounts on hand related to the Authority's loan authorization for the Boston Tea Party Ship and Museum, Inc.

"Other" represents amounts related to the Commonwealth's advance funding related to the Authority hosting the 2014 PCMA event.

L. Use of Estimates

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

M. Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year's presentation. These reclassifications had no effect on the reported net assets.

NOTE 2 - DEPOSITS AND INVESTMENTS**Deposits - Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. The Authority does not have a policy for custodial credit risk of deposits. The bank deposits at June 30, 2012 and 2011 totaled \$23,913,650 and \$35,126,955, respectively. Of these amounts, \$0 and \$577,649, respectively, were uninsured, uncollateralized and exposed to custodial credit risk. Subsequent to June 30, 2011, the Authority insured all of its deposits and was no longer exposed to custodial credit risk.

NOTE 3 - ACCOUNTS RECEIVABLE

At June 30, 2012, receivables consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Grants receivable from the Commonwealth.....	\$ 10,999,159	\$ -	\$ 10,999,159
Restricted grants receivable from the Commonwealth.....	1,300,000	-	1,300,000
Convention receivables.....	4,831,547	(246,593)	4,584,954
Loans receivable.....	15,293,279	-	15,293,279
Totals.....	\$ 32,423,985	\$ (246,593)	\$ 32,177,392

At June 30, 2011, receivables consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Grants receivable from the Commonwealth.....	\$ 14,201,570	\$ -	\$ 14,201,570
Convention receivables.....	2,710,875	(55,510)	2,655,365
Loans receivable.....	1,983,921	-	1,983,921
Totals.....	<u>\$ 18,896,366</u>	<u>\$ (55,510)</u>	<u>\$ 18,840,856</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 61,808,194	\$ -	\$ (1,887,840)	\$ 59,920,354
Construction in progress.....	28,390,735	12,632,360	(13,237,407)	27,785,688
Intangible assets.....	9,245,000	-	-	9,245,000
Total capital assets not being depreciated.....	<u>99,443,929</u>	<u>12,632,360</u>	<u>(15,125,247)</u>	<u>96,951,042</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	75,857	-	-	75,857
Buildings and improvements:				
BCEC.....	679,800,729	9,019,783	(172,601)	688,647,911
Hynes Convention Center	192,789,214	6,209,755	(335,491)	198,663,478
MassMutual Center.....	72,953,271	81,331	(300)	73,034,302
Boston Common Garage.....	38,908,826	-	(11,370)	38,897,456
Equipment and fixtures.....	48,506,261	8,933,795	(2,906,554)	54,533,502
Total capital assets being depreciated.....	<u>1,033,034,158</u>	<u>24,244,664</u>	<u>(3,426,316)</u>	<u>1,053,852,506</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(42,021)	(5,828)	-	(47,849)
Buildings and improvements:				
BCEC.....	(144,362,101)	(23,783,439)	158,884	(167,986,656)
Hynes Convention Center	(141,787,531)	(7,420,303)	335,491	(148,872,343)
MassMutual Center.....	(13,619,059)	(2,572,952)	300	(16,191,711)
Boston Common Garage.....	(18,605,271)	(1,343,025)	11,370	(19,936,926)
Equipment and fixtures.....	(35,042,883)	(5,139,068)	2,906,554	(37,275,397)
Total accumulated depreciation.....	<u>(353,458,866)</u>	<u>(40,264,615)</u>	<u>3,412,599</u>	<u>(390,310,882)</u>
Total capital assets being depreciated, net.....	<u>679,575,292</u>	<u>(16,019,951)</u>	<u>(13,717)</u>	<u>663,541,624</u>
Total capital assets, net.....	<u>\$ 779,019,221</u>	<u>\$ (3,387,591)</u>	<u>\$ (15,138,964)</u>	<u>\$ 760,492,666</u>

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land.....	\$ 60,594,941	\$ 1,213,253	\$ -	\$ 61,808,194
Construction in progress.....	22,616,758	23,758,741	(17,984,764)	28,390,735
Intangible assets.....	9,245,000	-	-	9,245,000
Total capital assets not being depreciated.....	92,456,699	24,971,994	(17,984,764)	99,443,929
Capital assets being depreciated:				
Land improvements.....	75,857	-	-	75,857
Buildings and improvements:				
BCEC.....	679,523,948	559,512	(282,731)	679,800,729
Hynes Convention Center	186,506,746	7,222,881	(940,413)	192,789,214
MassMutual Center.....	71,476,702	1,501,806	(25,237)	72,953,271
Boston Common Garage.....	37,687,690	1,262,469	(41,333)	38,908,826
Equipment and fixtures.....	41,962,038	8,126,893	(1,582,670)	48,506,261
Total capital assets being depreciated.....	1,017,232,981	18,673,561	(2,872,384)	1,033,034,158
Less accumulated depreciation for:				
Buildings and improvements:				
BCEC.....	(121,454,574)	(23,232,279)	282,731	(144,404,122)
Hynes Convention Center	(135,602,548)	(7,125,396)	940,413	(141,787,531)
MassMutual Center.....	(11,102,815)	(2,541,481)	25,237	(13,619,059)
Boston Common Garage.....	(17,342,723)	(1,303,881)	41,333	(18,605,271)
Equipment and fixtures.....	(32,568,429)	(4,057,124)	1,582,670	(35,042,883)
Total accumulated depreciation.....	(318,071,089)	(38,260,161)	2,872,384	(353,458,866)
Total capital assets being depreciated, net.....	699,161,892	(19,586,600)	-	679,575,292
Total capital assets, net.....	\$ 791,618,591	\$ 5,385,394	\$ (17,984,764)	\$ 779,019,221

NOTE 5 - DEFERRED REVENUE - NAMING RIGHTS

In September 2003, the Authority entered into an agreement by and between the Massachusetts Mutual Life Insurance Company for provision of naming rights at the new Springfield Civic Center. In consideration for \$5,000,000 the Springfield Civic Center was designated as the MassMutual Center. MassMutual in turn granted the Authority a license to use the Intellectual Property for limited use. Upon termination of the agreement, the name of the facility shall revert to the Springfield Civic Center. The term of the agreement commenced on September 29, 2005 (the opening date of the new center) and will end on the 15th year anniversary unless terminated earlier. Included in other revenue is the amortization of the naming rights amounting to \$333,333 and \$333,333 for the years ended June 30, 2012 and 2011, respectively. At June 30, 2012 and June 30, 2011, the unamortized balance reported as deposits and deferred revenue totals approximately \$2,750,000 and \$3,083,000, respectively.

NOTE 6 - LEASES (RENTAL INCOME)

The Authority leases various properties to third parties. For the years ended June 30, 2012 and June 30, 2011, the Authority earned approximately \$929,835 and \$699,835, respectively, in rental income and is included as commercial revenue in the statements of revenues, expenses and change in fund net assets. The following represents the future minimum lease payments to be received under non-cancelable operating leases at June 30, 2012 and June 30, 2011:

<u>2012</u>	
<u>Fiscal Year</u>	<u>Payment</u>
2013.....	\$ 1,179,835
2014.....	1,655,695
2015.....	1,803,545
2016*.....	2,061,820
2017*.....	2,186,820
Thereafter*.....	37,468,916

<u>2011</u>	
<u>Fiscal Year</u>	<u>Payment</u>
2012.....	\$ 929,835
2013.....	1,179,835
2014.....	1,655,695
2015.....	1,803,545
2016*.....	2,061,820
Thereafter*.....	39,655,736

*Starting in fiscal year 2016, a portion of lease rental income to be received by the Authority will be based on a percentage of gross revenue, which at this time cannot be quantified.

NOTE 7 - OPERATING PERFORMANCE BY OPERATING SEGMENTS

The Authority currently operates six segments: the BCEC, the Hynes Convention Center, the MassMutual Center, the Boston Common Garage, Central Administration and Sales and Marketing. Summarized financial information for the years ended June 30, 2012 and 2011 is presented as follows:

Fiscal year 2012

	BCEC	Hynes Convention Center	MassMutual Center	Boston Common Garage	Central Administration	Sales and Marketing	Total
Assets:							
Current assets.....	\$ 10,325,461	\$ 1,647,886	\$ 772,604	\$ 312	\$ 36,364,313	\$ -	\$ 49,110,576
Non current assets (excluding capital assets).....	-	-	-	-	15,046,564	-	15,046,564
Capital assets.....	550,595,339	124,626,669	59,532,648	20,286,725	5,446,058	5,227	760,492,666
Total assets.....	\$ 560,920,800	\$ 126,274,555	\$ 60,305,252	\$ 20,287,037	\$ 56,856,935	\$ 5,227	\$ 824,649,806
Liabilities:							
Current liabilities.....	\$ 10,398,230	4,923,872	3,593,277	309,529	3,311,136	509,954	23,045,998
Noncurrent liabilities.....	6,690,935	199,280	-	36,565	3,925,505	10,970	10,863,255
Total liabilities.....	\$ 17,089,165	\$ 5,123,152	\$ 3,593,277	\$ 346,094	\$ 7,236,641	\$ 520,924	\$ 33,909,253
Net Assets:							
Invested in capital assets, net of related debt.....							760,492,666
Restricted:							
Loans.....							2,706,721
Other.....							1,850,000
Unrestricted.....							25,691,166
Total net assets.....							\$ 790,740,553

Fiscal year 2011

	BCEC	Hynes Convention Center	MassMutual Center	Boston Common Garage	Central Administration	Sales and Marketing	Total
Assets:							
Current assets.....	\$ 1,559,216	\$ 911,258	\$ 1,075,006	\$ -	\$ 48,392,159	\$ -	\$ 51,937,639
Non current assets (excluding capital assets).....	-	-	-	-	-	-	-
Capital assets.....	568,177,977	122,862,163	62,021,982	21,570,862	4,377,497	8,740	779,019,221
Total assets.....	\$ 569,737,193	\$ 123,773,421	\$ 63,096,988	\$ 21,570,862	\$ 54,753,577	\$ 8,740	\$ 832,940,781
Liabilities:							
Current liabilities.....	\$ 9,740,023	5,294,054	4,188,012	443,409	2,665,751	670,725	23,001,974
Noncurrent liabilities.....	-	-	-	-	3,688,252	-	3,688,252
Total liabilities.....	\$ 9,740,023	\$ 5,294,054	\$ 4,188,012	\$ 443,409	\$ 6,354,003	\$ 670,725	\$ 26,690,226
Net Assets:							
Invested in capital assets, net of related debt.....							779,019,221
Restricted:							
Loans.....							16,016,079
Unrestricted.....							11,215,255
Total net assets.....							\$ 806,250,555

	Fiscal year 2012						Total
	BCEC	Hynes Convention Center	MassMutual Center	Boston Common Garage	Central Administration	Sales and Marketing	
Operating revenues.....	\$ 25,485,198	\$ 10,663,649	\$ 3,587,630	\$ 10,362,567	\$ 55,282	\$ -	\$ 50,154,326
Operating expenses.....	(55,459,618)	(22,840,332)	(11,064,153)	(3,963,935)	(15,485,936)	(6,214,250)	(115,028,224)
Operating income (loss).....	(29,974,420)	(12,176,683)	(7,476,523)	6,398,632	(15,430,654)	(6,214,250)	(64,873,898)
Nonoperating Revenues/(Expenses):							
Interest received on loans receivable.....	-	-	-	-	445,309	-	445,309
Investment income.....	-	-	-	-	7,503	-	7,503
Convention center fund.....	-	-	-	-	48,790,460	-	48,790,460
Federal grants.....	-	-	-	-	120,624	-	120,624
Change in net assets.....	\$ (29,974,420)	\$ (12,176,683)	\$ (7,476,523)	\$ 6,398,632	\$ 33,933,242	\$ (6,214,250)	(15,510,002)
Net assets-beginning of year.....							806,250,555
Net assets-end of year.....							\$ 790,740,553

	Fiscal year 2011						Total
	BCEC	Hynes Convention Center	MassMutual Center	Boston Common Garage	Central Administration	Sales and Marketing	
Operating revenues.....	\$ 22,604,516	\$ 9,950,157	\$ 2,969,328	\$ 9,697,430	\$ 7,837	\$ -	\$ 45,229,268
Operating expenses.....	(52,902,787)	(22,965,553)	(10,468,007)	(4,012,457)	(15,237,612)	(6,692,411)	(112,278,827)
Operating income (loss).....	(30,298,271)	(13,015,396)	(7,498,679)	5,684,973	(15,229,775)	(6,692,411)	(67,049,559)
Nonoperating Revenues/(Expenses):							
Investment income.....	-	-	-	-	67,176	-	67,176
Convention center fund.....	-	-	-	-	52,135,844	-	52,135,844
Federal grants.....	-	-	-	-	11,715	-	11,715
Change in net assets.....	\$ (30,298,271)	\$ (13,015,396)	\$ (7,498,679)	\$ 5,684,973	\$ 36,984,960	\$ (6,692,411)	(14,834,824)
Net assets-beginning of year.....							821,085,379
Net assets-end of year.....							\$ 806,250,555

NOTE 8 - LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion
Environmental remediation	\$ -	\$ 6,204,618	\$ -	\$ 6,204,618	\$ -
Net OPEB obligation.....	2,653,152	1,047,991	(192,366)	3,508,777	-
Compensated absences.....	1,925,366	191,305	-	2,116,671	966,811
Total.....	\$ 4,578,518	\$ 7,443,914	\$ (192,366)	\$ 11,830,066	\$ 966,811

During the fiscal year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Current Portion
Net OPEB obligation.....	\$ 1,851,618	\$ 1,037,232	\$ (235,698)	\$ 2,653,152	\$ -
Compensated absences.....	1,695,988	229,378	-	1,925,366	890,226
Total.....	<u>\$ 3,547,606</u>	<u>\$ 1,266,610</u>	<u>\$ (235,698)</u>	<u>\$ 4,578,518</u>	<u>\$ 890,226</u>

NOTE 9 - ENVIRONMENTAL REMEDIATION

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

During fiscal year 2007, the Authority, Commonwealth of Massachusetts and Boston Redevelopment Authority entered into a Settlement Agreement that provided \$8,125,000 in settlement proceeds to be deposited with the Commonwealth to mitigate/offset the costs of remediation. The settlement proceeds are being held by the Commonwealth on behalf of the Authority. This amount is presented in these financial statements as "Cash held by Commonwealth for environmental remediation".

The Authority anticipates full remediation efforts to begin in fiscal year 2014. For remediation costs that exceed the settlement proceeds received and investment income earned, the Authority expects to recover the costs from the Convention Center Fund maintained by the Commonwealth. As a result, there is no impact to the Authority's reported net assets. The expected recovery from the Commonwealth is not yet realized or realizable.

The following represents the estimated environmental remediation obligation at June 30, 2012:

Polluted sites.....	\$ 8,091,200
Expected recoveries (from Commonwealth for costs in excess of settlement proceeds).....	<u>(1,886,582)</u>
Net environmental remediation obligation.....	<u>\$ 6,204,618</u>

The environmental remediation obligation was determined using the expected cash flow technique, which uses all expectations regarding possible cash flows. The gross environmental remediation obligation is based on what it would cost to perform remediation activities in fiscal year 2014. Actual costs may vary due to inflation, changes in technology, and changes in regulations.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

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

The number of participants as of July 1, 2010, the latest actuarial valuation, is as follows:

Active employees.....	178
Retired employees.....	<u>27</u>
Total.....	<u><u>205</u></u>

Funding Policy - The contribution requirements of Plan members and the Authority are established and may be amended by the Authority. The required contribution rates of union employees hired on or before December 1, 2010 and after December 1, 2010 are 13% and 25%, respectively. For non-union employees hired after July 31, 2009, the required contribution rate is 25%. For non-union employees hired between July 1, 2008 and July 31, 2009, the required contribution rate is 25%. For non-union employees hired before July 1, 2008, the required contribution rate is 17.5%. The Authority pays the remaining required contribution for each type of employee. The Authority also reimburses union retired employees for the employee portion (10% for retirees who retired on or before July 1, 1994; 15% for retirees who retired after July 1, 1994; and 100% for additional catastrophic illness coverage) of the insurance benefits if they have 5 years of continuous service with the Authority at the time of retirement. Those employees who have less than 5 years of continuous service do not receive this benefit. There are currently 10 union retired employees who receive this benefit. In addition, the Authority used to cover these costs for non-union retirees but has discontinued that practice. There are currently 12 non-union retired employees who were grandfathered in under the old policy. The Authority currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Authority.

Annual OPEB Cost and Net OPEB Obligation - The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost, the actual amount contributed to the plan, and changes in the Authority's net OPEB obligation for the past two fiscal years:

	2012	2011
Annual required contribution.....	\$ 1,088,841	\$ 1,066,128
Interest on net OPEB obligation.....	104,704	74,065
Adjustment to annual required contribution.....	<u>(145,554)</u>	<u>(102,961)</u>
Annual OPEB cost.....	1,047,991	1,037,232
Contributions made.....	<u>(192,366)</u>	<u>(235,698)</u>
Increase in net OPEB obligation.....	855,625	801,534
Net OPEB obligation at beginning of year.....	<u>2,653,152</u>	<u>1,851,618</u>
Net OPEB obligation at end of year.....	<u>\$ 3,508,777</u>	<u>\$ 2,653,152</u>

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2010.....	\$ 1,213,563	22.0%	\$ 1,851,618
June 30, 2011.....	1,037,232	22.7%	2,653,152
June 30, 2012.....	1,047,991	18.4%	3,508,777

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2010, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/10	\$ -	\$ 9,085,391	\$ 9,085,391	-	\$ 15,683,675	57.9%

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

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

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

Valuation date:	July 1, 2010
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level dollar over 30 years at transition
Remaining amortization period:	28 years at July 1, 2010
Interest discount rate:	4.0%
Healthcare/Medical cost trend rate:	11% for the first year decreasing by 1% in year two; decreasing 5% in year three and then alternating rates for the next five years to a final level of 5% by 2015
Projected salary increases:	4.5% per year
Inflationary rate:	3.5% per year

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

	2012	2011
BCEC.....	\$ 486,317	\$ 487,057
Hynes.....	285,523	292,255
Boston Common Garage.....	69,077	59,800
MassMutual Center.....	15,105	8,770
Administration.....	172,929	122,338
Marketing and Sales.....	19,040	67,013
Total AOPEBC.....	<u>\$ 1,047,991</u>	<u>\$ 1,037,232</u>

NOTE 11 - PENSION PLAN

Plan Description - The Authority contributes to the Commonwealth's State Employees' Retirement System (System), a single-employer defined benefit pension plan administered by the Commonwealth's State Retirement Board.

Massachusetts law assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. The System does not issue a standalone report but is reported as a pension trust fund in the Commonwealth of Massachusetts' annual audited financial statements.

Funding Policy – Massachusetts law governs the contributions of plan members and the Commonwealth. Plan members are required to contribute to the System at rates ranging from 5% to 14% of annual covered compensation. Pursuant to its enabling legislation, the Authority reimburses the System for benefits provided in the prior year, in effect “pay-as-you-go” basis one year behind. The Authority’s contributions to the System for the fiscal years ended June 30, 2012, 2011, and 2010 were approximately \$451,000, \$434,000 and \$440,000, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 – RISK FINANCING

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

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

The Authority participates in a premium based workers’ compensation plan.

NOTE 13 – COMMITMENTS

The following represents the Authority’s ongoing projects at June 30, 2012:

Project	Total Committed Amount	Spent Through June 30, 2012	Remaining Commitment
Hynes reposition/enhancements.....	\$ 467,438	\$ 82,728	\$ 384,710
Hynes fire alarm.....	3,541,855	3,283,508	258,347
Hynes MTA ceiling renovation.....	11,790,943	6,540,916	5,250,027
Hynes VCT (hazmat) flooring	1,127,137	427,137	700,000
Hynes main roof replacement.....	2,855,684	1,485,040	1,370,644
Hynes passenger/ freight elevator improvements.....	5,282,555	1,705,565	3,576,990
Hynes restroom renovations.....	2,864,113	1,232,292	1,631,821
Hynes cooling tower CT1-4 / booster pumps.....	2,561,098	2,468,899	92,199
Hynes NOC upgrade.....	125,000	50,556	74,444
Hynes fire sprinkler test drain line modifications.....	143,000	59,529	83,471
BCEC D street open space.....	256,915	33,006	223,909
BCEC master planning.....	10,882,367	5,518,008	5,364,359
BCEC water proofing.....	4,920,790	2,609,263	2,311,527
BCEC kitchen floor drainage.....	538,663	257,340	281,323
BCEC NW ramp CMU repointing	1,118,697	643,623	475,074
BCEC RM53/54, offices construction.....	1,410,000	580,705	829,295
Boston common garage feasibility project.....	550,000	400,190	149,810
BCG park level kiosk accessible entrances.....	300,000	252,085	47,915
BCG fire shutters.....	299,280	71,921	227,359
Administrative upgrades.....	413,000	83,378	329,622
Total.....	\$ 51,448,535	\$ 27,785,689	\$ 23,662,846

The following represents the Authority's ongoing projects at June 30, 2011:

Project	Total Committed Amount	Spent Through June 30, 2011	Remaining Commitment
Hynes MTA ceiling renovation.....	\$ 13,097,242	\$ 5,268,890	\$ 7,828,352
BCEC image project.....	8,688,328	5,700,119	2,988,209
BCEC master planning.....	6,274,830	3,941,420	2,333,410
Hynes restroom renovations.....	5,091,518	527,994	4,563,524
Hynes restaurant - space B.....	4,937,899	4,887,899	50,000
Hynes passenger/ freight elevator improvements.....	4,929,724	51,364	4,878,360
Hynes main roof replacement.....	4,828,000	1,003,895	3,824,105
Hynes fire alarm.....	4,292,693	1,983,715	2,308,978
Hynes cooling tower CT1-4 replacement	3,994,476	200,296	3,794,180
BCEC water proofing.....	3,831,790	2,079,215	1,752,575
Hynes ext. envelope and roof.....	2,597,000	649,848	1,947,152
BCEC food court refresh.....	2,377,043	1,152,706	1,224,337
Boston common garage feasibility project.....	1,140,000	400,190	739,810
BCEC northwest ramp CMU repointing.....	917,268	52,084	865,184
Hynes VCT (hazmat) flooring	875,000	53,001	821,999
Administrative upgrades.....	650,000	209,055	440,945
Hynes reposiotion/enhancements.....	467,438	27,438	440,000
BCEC kitchen floor drainage.....	445,000	60,403	384,597
Boston common garage park level kiosk accessible entrances.....	390,000	24,310	365,690
BCEC roadways improvement.....	331,000	27,819	303,181
Boston common garage ventilation exhaust system/fire shutters.....	228,300	89,073	139,227
Total.....	\$ 70,384,549	\$ 28,390,734	\$ 41,993,815

Subsequent events

On August 31, 2012, the Authority entered into a Purchase and Sale Agreement to purchase a 5.6 acre parcel of vacant land adjacent to the BCEC. Under this Agreement, the purchase price for the land is \$33 million and the closing date is October 1, 2012. The purchase is expected to be funded with cash drawn from the Convention Center Fund maintained by the Commonwealth. Final plans for the use of the property are being formulated, but it is expected to be used for purposes related to the Authority's "Top 5" initiative, including expanding the hotel supply near the BCEC and facilitating expansion of the BCEC.

NOTE 14 - CONTINGENCIES

Various legal actions and claims are pending against the Authority. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Authority at June 30, 2012.

NOTE 15 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented during fiscal year 2013. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented during fiscal year 2013. The implementation of this Statement will require a change to the title of the Statement of Net Assets to the Statement of Net Position.
- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. Management has determined that the implementation of this Statement will not impact the basic financial statements.
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Authority will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.

These pronouncements will be implemented by their respective implementation dates.

Required Supplementary Information

PENSION PLAN SCHEDULE

The following schedule provides information related to the System as a whole, for which the Authority is one participating employer:

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
01/01/12	\$ 20,507,644,000	\$ 27,784,731,000	\$ 7,277,087,000	73.8%	\$ 4,922,387,818	147.8%
01/01/11	21,244,900,000	26,242,776,000	4,997,876,000	81.0%	4,808,250,285	103.9%
01/01/10	19,019,062,000	24,862,421,000	5,843,359,000	76.5%	4,711,563,000	124.0%
01/01/09	16,992,214,000	23,723,240,000	6,731,026,000	71.6%	4,712,655,000	142.8%
01/01/08	20,400,656,000	22,820,502,000	2,419,846,000	89.4%	4,574,233,000	52.9%
01/01/07	18,445,225,000	21,670,810,000	3,225,585,000	85.1%	4,391,839,000	73.4%

OTHER POST EMPLOYMENT BENEFITS SCHEDULE

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

SCHEDULES OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
07/01/08	\$ -	\$ 10,037,707	\$ 10,037,707	-	\$ 13,180,857	76.2%
07/01/10	-	9,085,391	9,085,391	-	15,683,675	57.9%

NOTE A - PENSION PLAN

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2012
Actuarial cost method:	Entry age normal
Amortization method:	4.5% for fiscal year 2012; 5.0% in fiscal years 2013 and 2014; 6.0% in fiscal years 2015 to 2017 and 4.0% thereafter.
Remaining amortization period:	28 years
Asset valuation method:	Corridor approach (actuarial value of assets cannot be less than 90% nor more than 110% of the market value of assets)
<u>Actuarial assumptions:</u>	
Investment rate of return:	8.25%
Projected salary increases:	4.50% - 10.00%, depending on group classification and years of service
Cost of living adjustments:	3.0% of the first \$13,000 of an allowance

Additional Information

SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Supplemental Appropriations	Final Budget	Actual	Variance Positive/ (Negative)
REVENUES					
BCEC.....	\$ 19,947,646	\$ -	\$ 19,947,646	\$ 25,485,198	\$ 5,537,552
Hynes.....	9,615,272	-	9,615,272	10,663,649	1,048,377
Boston Common Garage.....	10,321,835	-	10,321,835	10,362,567	40,732
MassMutual Center.....	3,072,706	-	3,072,706	3,587,630	514,924
Other income.....	-	-	-	55,282	55,282
TOTAL REVENUES.....	42,957,460	-	42,957,460	50,154,326	7,196,866
EXPENSES					
BCEC.....	26,637,683	-	26,637,683	29,741,788	(3,104,105)
Hynes.....	14,679,402	-	14,679,402	13,670,675	1,008,727
Boston Common Garage.....	2,442,137	-	2,442,137	2,364,167	77,970
MassMutual Center.....	8,010,709	-	8,010,709	8,206,854	(196,145)
Central Administration.....	8,924,317	-	8,924,317	8,724,733	199,584
Marketing and Sales.....	5,665,524	-	5,665,524	8,049,767	(2,384,243)
TOTAL EXPENSES.....	66,359,772	-	66,359,772	70,757,984	(4,398,212)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES.....					
	(23,402,312)	-	(23,402,312)	(20,603,658)	2,798,654
NONOPERATING REVENUES (EXPENSES)					
Investment income.....	423,000	-	423,000	452,812	29,812
Payment to Massachusetts Office of Travel and Tourism.....	(5,000,000)	-	(5,000,000)	(5,000,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES).....	(4,577,000)	-	(4,577,000)	(4,547,188)	29,812
CHANGE IN NET ASSETS.....	\$ (27,979,312)	\$ -	\$ (27,979,312)	\$ (25,150,846)	\$ 2,828,466

SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS

BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Original Budget	Supplemental Appropriations	Final Budget	Actual	Variance Positive/ (Negative)
REVENUES					
BCEC.....	\$ 22,705,710	\$ -	\$ 22,705,710	\$ 22,604,518	\$ (101,192)
Hynes.....	8,503,366	-	8,503,366	9,950,157	1,446,791
Boston Common Garage.....	9,629,416	-	9,629,416	9,697,430	68,014
MassMutual Center.....	2,557,297	-	2,557,297	2,969,328	412,031
Other income.....	-	-	-	7,837	7,837
TOTAL REVENUES.....	43,395,789	-	43,395,789	45,229,270	1,833,481
EXPENSES					
BCEC.....	27,522,893	-	27,522,893	28,034,873	(511,980)
Hynes.....	14,240,017	-	14,240,017	14,612,988	(372,971)
Boston Common Garage.....	2,686,523	-	2,686,523	2,521,365	165,158
MassMutual Center.....	7,475,185	-	7,475,185	7,512,193	(37,008)
Central Administration.....	9,162,061	-	9,162,061	8,825,206	336,855
Marketing and Sales.....	5,669,576	-	5,669,576	6,710,506	(1,040,930)
TOTAL EXPENSES.....	66,756,255	-	66,756,255	68,217,131	(1,460,876)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES.....	(23,360,466)	-	(23,360,466)	(22,987,861)	372,605
NONOPERATING REVENUES (EXPENSES)					
Investment income.....	376,681	-	376,681	67,176	(309,505)
Payment to Massachusetts Office of Travel and Tourism.....	(5,000,000)	-	(5,000,000)	(5,000,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES).....	(4,623,319)	-	(4,623,319)	(4,932,824)	(309,505)
CHANGE IN NET ASSETS.....	\$ (27,983,785)	\$ -	\$ (27,983,785)	\$ (27,920,685)	\$ 63,100