

THE INNOVATION AND ENTREPRENEURSHIP

INVESTMENT AUTHORITY

INCLUDING ITS BLENDED COMPONENT UNIT

CENTER FOR INNOVATIVE TECHNOLOGY

and SUBSIDIARIES

Herndon, Virginia

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2019



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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of the Innovation and Entrepreneurship Investment Authority (the Authority) offers readers of the Authority's consolidated financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the consolidated financial statements and accompanying notes.

Reporting Entity

For financial reporting purposes, the Authority's reporting entity consists of the Authority and its component unit organization, the Center for Innovative Technology (CIT) and subsidiaries, for which the Authority is financially accountable (blended component unit). The subsidiaries' relationship with CIT is of the nature and significance that exclusion would cause the Authority's financial statements to be misleading or incomplete. The funds and accounts of all entities that have been identified as part of the Authority or CIT have been included. Further information can be found in Note A to the Consolidated Financial Statements.

The Authority is a political subdivision of the Commonwealth of Virginia (Commonwealth). Its mission is to grow and diversify Virginia's economy by investing in and accelerating innovation commercialization, entrepreneurship and broadband availability. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority and is a blended component unit of the Authority. Transactions are accounted for in enterprise funds and reports have been prepared on the accrual basis of accounting.

The financial statements include activity of CIT's subsidiaries M37 Equity Pool, LLC (M37 EP) and M37 Carried Interest, LLC (M37 CI). M37 EP was a majority-owned subsidiary of CIT, formed during the fiscal year ended June 30, 2016, for the purpose of holding qualified investments and participation interests, according to compensation policies of MACH37 LLC (MACH37) Cybersecurity Accelerator's management. As of February 2019, M37 EP had distributed to its members all equity securities held by M37 EP. The entity has been dissolved, effective April 30, 2019. M37 CI is a majority-owned subsidiary of CIT, formed during the fiscal year ended June 30, 2017, for the purpose of making and holding qualified investments, in accordance with the compensation policies of MACH37 Cybersecurity Accelerator's management. MACH37 was previously a wholly-owned subsidiary of CIT, formed during fiscal year ended June 30, 2016, for the purpose of operating the MACH37 Cyber Accelerator. In July 2018, CIT entered into a 24-month joint venture agreement with VentureScope, LLC (VS), in which VS obtained a controlling interest in MACH37.

The Consolidated Statement of Net Position presents information on all of the Authority, CIT, and CIT's subsidiaries, collectively "the Organization", assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Consolidated Statement of Revenues, Expenses and Changes in Net Position presents information showing how the net position of the Organization changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that are related to cash flows in prior or future fiscal periods.

Consolidated Net Position as of June 30, 2019
(2018 Restated, Note C)

	2019	2018	Change
Assets:			
Current assets	\$ 13,499,073	\$ 12,937,297	\$ 561,776
Noncurrent assets	1,510	12,143	(10,633)
Capital assets	<u>12,339,233</u>	<u>13,095,863</u>	<u>(756,630)</u>
Total assets	25,839,816	26,045,303	(205,487)
Liabilities:			
Current liabilities	847,636	1,083,376	(235,740)
Long term liabilities	<u>155,573</u>	<u>144,524</u>	<u>11,049</u>
Total liabilities	1,003,209	1,227,900	(224,691)
Net Position:			
Net investment in capital assets	12,339,233	13,095,863	(756,630)
Unrestricted	<u>12,497,374</u>	<u>11,721,540</u>	<u>775,834</u>
Total net position	<u>\$ 24,836,607</u>	<u>\$ 24,817,403</u>	<u>\$ 19,204</u>

As of the end of fiscal year 2019, the Organization's assets exceeded its liabilities by \$24.8 million (net position), an increase of \$19,204 over the prior fiscal year. The balance is comprised of \$12.3 million in net investment in capital assets and \$12.5 million in unrestricted net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances or any borrowings that are attributable to the acquisition, construction or improvement of those assets. Unrestricted net position balances are available to fund operations of the organization, subject to certain funding designations per the Commonwealth of Virginia's legislated budget for the Authority.

Current assets at fiscal year-end 2019 consist of \$13.1 million of cash and cash equivalents and \$400k in prepaid expenses and net receivables. Current assets increased \$561,776 from the prior year. The increase is attributable to a \$1.2 million increase in cash and cash equivalents, offset by a \$414k decrease in net notes receivable and a \$225k decrease in prepaid expenses and deposits. An increase in cash of \$1.2M occurred due to \$1.6M in proceeds received on CIT GAP investment liquidations, offset by a \$400k decrease in Authority cash caused by less lease revenue received as the result of building tenant vacancies. Tenant leases were terminated by the Department of General Services with the intent to vacate the property for disposal pursuant to legislated surplus property designation. Net notes receivable decreased by \$414k due to the reversal of a note allowance at the end of fiscal year 2018 related to repayment of the note in early fiscal year 2019. Due to the risk involved with convertible debt investments in emerging-stage companies, CIT elects to set up a full allowance for promissory notes issued. Prepaid expenses decreased by \$225k, due to expenses incurred on a contract with Virginia Tech Mid-Atlantic Aviation Partnership in support of the Integration Pilot Program, focused on unmanned aerial systems, with the Federal Aviation Administration.

Capital assets are comprised of \$5.2 million in land and land improvements and \$7.2 million in building and improvements, net of depreciation. Capital assets net reduction of \$756,630 from June 30, 2018 to June 30, 2019 is due to normal depreciation expense of \$756,139 and a \$490 reduction of the MACH37 Trademark. In July 2018, CIT entered into a Joint Venture Agreement with VentureScope LLC (VS) to operate the MACH37 LLC (MACH37) Cyber Accelerator, with VS obtaining controlling interest in MACH37.

The current liabilities reduction of \$235,740 from fiscal year end 2018 to 2019 is attributable to two factors: a \$140k reduction in the liability due to the Commonwealth of Virginia for prior year midrise building profits, which were reduced in fiscal year 2019 by losses associated with building tenant vacancies; and the payment of \$94k in security deposits to tenants that vacated in preparation of the pending sale of building.

Consolidated Revenues, Expenses, and Changes in Net Position for the Fiscal Year Ended June 30, 2019
(2018 Restated, Note C)

	2019	2018	Change
Operating revenues:			
Lease	\$ 1,007,082	\$ 1,525,381	\$ (518,299)
Contracts and grants	2,192,595	2,308,477	(115,882)
Miscellaneous	119,774	488,036	(368,262)
Total operating revenues	3,319,451	4,321,894	(1,002,443)
Operating expenses:			
CIT and subsidiaries expenses	14,206,663	12,920,455	1,286,208
Building and Authority administrative	1,309,439	1,523,636	(214,197)
Depreciation	753,660	794,294	(40,634)
Total operating expenses	16,269,762	15,238,385	1,031,377
Non-operating revenues/(expenses):			
Appropriations from the Commonwealth of Virginia	10,938,498	11,310,962	(372,464)
Interest revenue and gain on investment	2,031,931	960,155	1,071,776
Member draws	(914)	(559)	(355)
Donations expense	-	(224,136)	224,136
Total non-operating revenues/(expenses)	12,969,515	12,046,422	923,093
Change in net position	19,204	1,129,931	(1,110,727)
Net position at July 1, beginning fiscal year	24,817,403	23,687,472	1,129,931
Net position at June 30, ending fiscal year	<u>\$ 24,836,607</u>	<u>\$ 24,817,403</u>	<u>\$ 19,204</u>

Approximately 67% of the Organization's consolidated revenue comes from Commonwealth of Virginia appropriations. The remainder is from the Authority's building tenant leasing revenue, CIT contracts and grants revenue with federal entities, Growth Accelerator Program (GAP) investment proceeds and interest income. \$518,299 of the \$1M decrease in operating revenues is due to the reduction of tenants prior to the pending sale of the building.

Interest revenue and gain on investment increased by \$1.1 million, from proceeds on GAP investment liquidations. The proceeds are designated for re-investment in GAP portfolio companies.

CIT expenses increased by \$1.3 million in fiscal year 2019 as compared to fiscal year 2018, due to increased spending on GAP investments and on a federal contract with the U.S. Department of Homeland Security (DHS) for the Smart Cities IoT Innovation SCITI Labs Project. The contract's objective is to design, develop, prototype, and evaluate emergency response and management technologies and tools for first responders and DHS component units; advance the applied use of Smart City and Internet of Things (IoT) sensors; and the applied situational awareness, decision support, and commercialization support services to the DHS Science and Technology (S&T) First Responders Group, DHS S&T Apex Programs, and DHS Component Units.

The Virginia General Assembly 2017 Session, Chapter 836, designates the Authority's real property and improvements, located in Herndon, Virginia, as surplus property. During Fiscal Year 2020, the Commonwealth closed on the sale of the building. During Fiscal Year 2019, the Authority sustained building operating losses due to early termination of tenant leases, in preparation for the sale of the building.

Capital Assets

Capital Assets as of June 30, 2019

(2018 Restated, Note C)

	2019	2018	Change
Land and land improvements	\$ 5,161,665	\$ 5,161,665	\$ -
Building and improvements (net of depreciation)	7,177,568	7,933,707	(756,139)
Trademark	-	490	(490)
Total capital assets	<u>\$ 12,339,233</u>	<u>\$ 13,095,862</u>	<u>\$ (756,629)</u>

The net reduction of \$756,629 in the value of consolidated capital assets from June 30, 2018 to June 30, 2019 is due to normal depreciation expense of \$756,139 and a \$490 reduction of the MACH37 Trademark that occurred when CIT entered into a Joint Venture Agreement with VentureScope LLC to operate the Cyber Accelerator.

Economic Outlook

Legislation was passed during the FY2020 General Assembly session to establish the Virginia Innovation Partnership Authority (VIPA) on July 1, 2020, and repeal the Innovation and Entrepreneurship Investment Authority (Authority) on June 30, 2020. VIPA was created to support the life cycle of innovation, from translational research; to entrepreneurship; to pre-seed and seed stage funding; and to acceleration, growth, and commercialization, resulting in the creation of new jobs and company formation. A collaborative, consistent, and consolidated approach will assist the Commonwealth in identifying its entrepreneurial strengths, including the identification of talents and resources that make the Commonwealth a unique place to grow and attract technology-based businesses. VIPA is the successor in interest to the Authority and the Virginia Research Investment Committee (VRIC). Legislation defines a new VIPA board structure and names CIT as the managing non-profit of VIPA. VIPA consolidates specific Commonwealth appropriated economic development initiatives, known as Centers of Excellence, under one umbrella, including the Virginia Biosciences Health Research Corporation, the Commonwealth Center for Advanced Manufacturing, the Commonwealth Cyber Initiative, the Commonwealth Center for Advanced Logistics, and Virginia Academy of Engineering, Science and Medicine.

The Virginia General Assembly 2017 Session, Virginia Acts of Assembly, Chapter 836, designated the Authority's real property and improvements, located in Herndon, Virginia, as surplus property. On May 14, 2020, the Commonwealth closed on the sale of the property. \$47.35M in proceeds were received by the Department of General Services and, pursuant to legislation, distributed to the Virginia Research Investment Fund.

As a result of the COVID-19 outbreak, for the health and safety of CIT staff and the communities they serve, in March 2020 CIT began teleworking with office access subject to enhanced safety protocols. CIT implemented virtual engagement strategies with internal and external communities served. Events migrated to virtual platforms where possible and deferred when necessary. The organization continues to monitor local, state, national, and scientific guidance. The financial and programmatic activity impact are expected to be minimal.

CONSOLIDATED FINANCIAL STATEMENTS

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with
CENTER FOR INNOVATIVE TECHNOLOGY and SUBSIDIARIES

CONSOLIDATED STATEMENT OF NET POSITION

As of June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents (Note D)	\$	13,069,964
Marketable Equity Securities (Note K)		11,794
Prepaid expenses and deposits		176,778
Accounts and accrued receivables (Note E)		235,993
Less: allowance for doubtful accounts		(5,651)
Due from Commonwealth of Virginia		10,195
Notes receivable (Note F)		3,355,834
Less: allowance for doubtful accounts		<u>(3,355,834)</u>
Total current assets		13,499,073

Noncurrent assets:

Interest in MACH 37 LLC		490
Notes receivable (Note F)		1,966,503
Less: allowance for doubtful accounts		(1,966,503)
Unamortized leasing commissions		<u>1,020</u>
Total noncurrent assets		1,510

Capital assets (Note G):

Land and land improvements		5,161,665
Building and improvements (net of depreciation)		<u>7,177,568</u>
Total capital assets		12,339,233

Total assets

25,839,816

LIABILITIES

Current liabilities:

Compensated absences (Note I)		30,000
Accounts payable		423,611
Accrued expenses		208,007
Prepaid Rental Income		184,218
Security deposits		<u>1,800</u>
Total current liabilities		847,636

Long Term liabilities:

Compensated absences (Note I)		<u>155,573</u>
Total long term liabilities		155,573

Total liabilities

1,003,209

NET POSITION

Net investment in capital assets		12,339,233
Unrestricted		<u>12,497,374</u>
Total net position	\$	<u>24,836,607</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of this consolidated financial statement.

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with
 CENTER FOR INNOVATIVE TECHNOLOGY and SUBSIDIARIES
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, and CHANGES IN NET POSITION
 For the Fiscal Year Ended June 30, 2019

Operating revenues:	
Lease	\$ 1,007,082
Contracts and grants	1,864,544
Growth Acceleration Program	328,051
Sponsorship and Miscellaneous	119,774
Total operating revenues	3,319,451
Operating expenses:	
Program expenses:	
Research and development	3,358,436
Entrepreneur	6,126,507
Strategic Initiatives	1,773,165
Broadband	713,169
Commonwealth support	2,169,426
Total program expenses	14,140,703
Other expenses:	
Communications and marketing	390,795
Building management	17,800
Advocacy and other unallowable expenses	28,311
Indirects overapplied to projects	(370,946)
Building and Authority administrative	1,309,439
Depreciation	753,660
Total other expenses	2,129,059
Total operating expenses	16,269,762
Operating loss	(12,950,311)
Non-operating revenues/(expenses):	
Appropriations from the Commonwealth of Virginia (Note H)	10,938,498
Interest revenue	387,229
Gain on investment	1,644,702
Member Draws	(914)
Total non-operating revenues/(expenses)	12,969,515
Change in net position	19,204
Change in net position	19,204
Net position at July 1, 2018, restated (Note C)	24,817,403
Net position at June 30, 2019	\$ 24,836,607

The accompanying Notes to Consolidated Financial Statements are an integral part of this consolidated financial statement.

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with
 CENTER FOR INNOVATIVE TECHNOLOGY and SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 2019

Cash flows from (used by) operating activities:	
Leases	\$ 1,038,291
Contracts and grants revenue received	1,851,742
Growth Acceleration Program revenue received	678,051
Sponsorship revenue	139,464
Miscellaneous receipts	9,999
Payments to CRCF recipients	(2,348,173)
Payments to Growth Acceleration Program recipients	(2,939,400)
Payments to vendors	(6,793,382)
Security deposits paid (net of receipts)	(93,820)
Payments to employees	(3,270,634)
Net cash used by operating activities	(11,727,862)
Cash flows from non-capital financing activities:	
Appropriations received from the Commonwealth of Virginia	10,932,869
Net cash provided by non-capital financing activities	10,932,869
Cash flows from investing activities:	
Proceeds from disposal of investments	1,631,964
Interest received	375,639
Net cash used by investing activities	2,007,603
Cash flows from capital and related financing activities:	
Member contributions received	80
Net cash provided by capital and related financing activities	80
Net increase in cash and cash equivalents	1,212,690
Cash and cash equivalents at July 1, 2018	11,857,274
Cash and cash equivalents at June 30, 2019	\$ 13,069,964

The accompanying Notes to Consolidated Financial Statements are an integral part of this consolidated financial statement.

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY AND
CENTER FOR INNOVATIVE TECHNOLOGY and SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the Fiscal Year Ended June 30, 2019

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (12,950,311)
Adjustments to reconcile operating loss to net cash:	
Non-cash item - Depreciation	753,660
Non-cash item - note receivable interest applied to new note or equity conversion	75,798
Non-cash item - Depreciation on generator accepted from tenant in lieu of rent to Commonwealth of Virginia in prior fiscal year	2,480
Changes in assets and liabilities:	
Increase in notes receivable, net of allowance	33,706
Increase in accounts and accrued receivables, net of allowance	350,000
Increase in prepaid expenses and deposits	225,224
Decrease in due from Commonwealth of Virginia	(144,571)
Increase in unamortized leasing commissions and rent abatement	11,123
Decrease in accounts payable	(31,894)
Increase in accrued expenses	20,896
Increase in unearned revenue	8,798
Decrease in security deposits	(93,820)
Increase in compensated absences	11,049
Net cash used by operating activities	\$ (11,727,862)

The accompanying Notes to Consolidated Financial Statements are an integral part of this consolidated financial statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – DESCRIPTION OF ORGANIZATION

The consolidated financial statements include the accounts of the Innovation and Entrepreneurship Investment Authority (the Authority) and its blended component unit, the Center for Innovative Technology (CIT) and subsidiaries, collectively “the Organization”. The Authority is a political subdivision of the Commonwealth of Virginia (the Commonwealth), as authorized by the Innovation and Entrepreneurship Investment Authority Acts of 2009, as amended, Title 2.2, Chapter 22 of the Code of Virginia. The Innovation and Entrepreneurship Investment Authority Act provides for the Authority to form a non-stock corporation to carry out the mission of the Authority. CIT is the non-stock, not-for-profit corporation created for this purpose, and it acts as the operating arm of the Authority. The mission of CIT is to grow and diversify Virginia’s economy by investing in and accelerating innovation commercialization, entrepreneurship and broadband availability. The Virginia General Assembly 2019 Session, Virginia Acts of Assembly Chapter 854 authorizes the Authority to transfer funds appropriated to it by the Commonwealth to CIT for use in realizing its mission.

The financial statements of the Authority, including its blended component unit CIT, with subsidiaries, are intended to present the financial position and the changes in financial position and cash flows on only that portion of the financial reporting entity of the Commonwealth that is attributable to the transactions of the Organization. A separate report is prepared for the Commonwealth that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises oversight authority. The Authority is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth. Consolidating financial statements for the Authority and CIT and its subsidiaries can be found in the Supplementary Information section of the Annual Financial Statement report.

Subsidiaries of CIT include M37 Equity Pool, LLC (M37 EP) and M37 Carried Interest, LLC (M37 CI). M37 EP is a majority-owned subsidiary of CIT, formed during the fiscal year ended June 30, 2016, for the purpose of holding qualified investments and participation interests, according to compensation policies of MACH37 Cybersecurity Accelerator’s management. M37 CI is a majority-owned subsidiary of CIT, formed during the fiscal year ended June 30, 2017, for the purpose of making and holding qualified investments, in accordance with the compensation policies of MACH37 Cybersecurity Accelerator’s management.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The consolidated financial statements of the Organization have been prepared using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of cash flows.

Basis of Consolidation – The consolidated financial statements incorporate the financial statements of the Authority and CIT and its subsidiaries. Significant inter-organizational transactions, comprised of inter-company rent and other operating costs and gains and losses in investments in related companies, have been eliminated.

Use of Estimates – Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of consolidated assets and liabilities at the date of the consolidated financial statements. On an

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Allocation Method – CIT uses the full-cost allocation approach using historically approved indirect rates to allocate indirect costs among activities for all program areas, including those that are billable to the Federal government on a cost-reimbursement basis. CIT allocates indirect costs based on three rates: fringe, overhead and general and administrative costs. The fringe and overhead rates are applied to functions based upon direct labor cost. The general and administrative rate is applied to functions based upon total cost. Included within the accrued expenses line item is the amount CIT has estimated is owed to the Federal government based on the delay of when CIT receives the approved indirect rates versus when the billing occurs. The indirects overapplied to projects line item accounts for the over/underapplied indirect cost for all CIT program areas, including, but not limited to, those that are billable to the Federal government. CIT does not adjust the over/underapplied amounts at the applicable program area.

Consolidated Net Position – The net position of the Organization and changes therein are classified and reported as follows:

Net Investment in Capital Assets – Component of net position consisting of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted Net Position – Component of net position available for use in general operations and not subject to restrictions.

Restricted Net Position – Component of net position consisting of restricted assets reduced by liabilities related to those assets. Net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

As of June 30, 2019, net position of the Organization was classified as either net investment in capital assets or unrestricted net position.

Revenue Recognition – Revenue is recognized when earned. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or notification of a beneficial interest is received.

Prepaid Expenses and Deposits – Prepaid expenses and deposits represent amounts paid prior to delivery of the related service.

Accounts Receivable – Accounts receivable are primarily unsecured non-interest-bearing amounts due from tenant leases, contracts and grants. The Organization provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal accounts receivable are due 30 days after issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer/grantor.

Due from/to Commonwealth of Virginia – Amounts due from/to the Commonwealth consist of appropriations receivable related to the Commonwealth Research Commercialization Fund administration expenses plus/offset by a receivable/payable for losses/profits associated with the Commonwealth lease of the midrise portion of the Authority's building.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets – Property and equipment are stated at cost at the date of acquisition or, in the case of gifts, at fair market value at the date of donation. Capital assets are recorded for items with a cost of \$5,000 or more and a useful life of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expenses as incurred. Depreciation is recognized using the straight-line method over the useful lives of the assets – 5 to 40 years for the building and related improvements and 3 to 10 years for furniture, fixtures and equipment.

Land, buildings and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the consolidated financial statement for the fiscal year ended June 30, 2019.

Accounts payable and accrued expenses – Accounts payable and accrued expenses represent amounts owed for goods and services received but not paid prior to year-end. A portion of accrued expenses reflects what is due for overapplied indirect rates from the indirect cost allocation process for federal programs.

Compensated Absences – Compensated absences account for the Organization's liability for compensated time off earned by employees but not taken as of June 30, 2019.

Prepaid Rental Income – Prepaid rental income represents monies received but not earned as of June 30, 2019. \$183,280 of prepaid rental income was received from Midrise building tenants and the remaining \$938 from Tower building tenants.

Security deposits – Tenant security deposits are collected by the Authority. The deposits are held until lease termination, at which time the condition of the leased area is assessed for potential return of the security deposit.

Operating and Non-Operating Activity – Most of the financial activity of the Organization is a result of operations. Operating activities are directly related to the Organization's promotion of the Commonwealth's economic growth.

Currently, non-operating activity relates to appropriations from the Commonwealth, investment activities, and member draws.

Gain on Investment – This non-operating activity is related to investments made in Growth Accelerator (GAP) portfolio companies. The gain could be related to note repayments, acquisitions or mergers, or sale of stock. See Footnotes F and K for more information regarding notes receivable and equity positions.

Income Taxes – The Authority is a political subdivision of the Commonwealth; and, therefore, is exempt from federal income tax.

CIT is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though tax can be levied on income unrelated to the exempt purpose of CIT (unless that income is otherwise excluded by the IRC). Contributions to CIT are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

M37 EP and M37 CI have elected to be taxed as partnerships. The taxable year for M37 EP and M37 CI is the calendar year. Each member is responsible for the tax liability, if any, related to its proportionate share of the taxable income of M37 EP and M37 CI. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

For all open tax years for all major taxing jurisdictions, management of the Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. Management does not expect that its assessment regarding unrecognized tax positions will materially change over the next 12 months.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Generally, tax returns of the Organization's entities remain open to inspection by federal, state and local authorities for three years from the date of filing. Returns for fiscal years ended June 30, 2016 and later (CIT and MACH37, LLC, a previous wholly-owned subsidiary of CIT) and calendar years ended December 31, 2017 (M37 EP and M37 CI) and later remain subject to examination.

NOTE C – PRIOR PERIOD ADJUSTMENT

	Authority	CIT and Subsidiaries	Total
Net position as previously reported at June 30, 2018	\$16,330,552	\$ 8,710,987	\$25,041,539
Adjustment - unrecorded land transfer	(224,136)	-	(224,136)
Net position at July 1, 2018	<u>\$16,106,416</u>	<u>\$ 8,710,987</u>	<u>\$24,817,403</u>

NOTE D – CASH AND INVESTMENTS

The investment policy of the Organization, established and monitored by the Board of Directors, complies with the Investment of Public Funds Act, Code of Virginia Section 2.2-4500 – 4518. The investment policy establishes guidelines for the quality of investments, maturities and investment yields.

Cash and cash equivalents represent deposits and short-term investments with original maturity dates of up to 90 days.

Custodial Credit Risk - All deposits of the Organization are maintained in accounts covered by federal depository insurance and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia, as amended, which provides for an assessable multiple financial institution collateral pool.

Disclosure is required for risk associated with uncollateralized cash deposits and uninsured and unregistered securities held by a counterparty, or its trust department or agent, but not in the Organization's name. As of June 30, 2019, the Organization had no deposits or investments exposed to custodial credit risk.

Concentration of Credit Risk – Disclosure of any one issuer is required when it represents five percent or more of total investments. At June 30, 2019, the Organization had no investments greater than five percent.

Foreign Currency Risk – Disclosure is required for investments exposed to changes in exchange rates that could adversely affect the fair value of an investment or deposit. The Organization had no foreign investment or deposits during the fiscal year ended June 30, 2019.

Credit Risk – Disclosure of the credit quality rating is required for investments exposed to the risk an issuer or other counterparty will not fulfill its obligations. At June 30, 2019, the Organization had cash and cash equivalents as shown in the chart below:

	Credit Rating	Amount
Cash, cash equivalents and investments:		
Cash		\$ 55,405
Local Government Investment Pool	AAAf	<u>13,014,559</u>
Total cash, cash equivalents and investments		<u>\$ 13,069,964</u>

NOTE D – CASH AND INVESTMENTS (continued)

The Local Government Investment Pool (LGIP) enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is managed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in the LGIP should also report their investments in the LGIP at amortized cost. The LGIP is rated AAf by Standard & Poor's rating service.

NOTE E – ACCOUNTS and ACCRUED RECEIVABLES

At June 30, 2019, the Authority held accounts receivable, related to tenant leases, of \$5,926 net of an allowance of \$5,651. At June 30, 2019, CIT held accounts receivable, related to contracts and grants, of \$224,416.

NOTE F – NOTES RECEIVABLE

As of June 30, 2019, CIT had convertible note purchase agreements with 52 emerging companies under its Growth Acceleration Program (GAP), the Commonwealth Energy Fund (CEF) contract with the Department of Mines, Minerals and Energy (DMME), and the State Small Business Credit Initiative (SSBCI) program with the Virginia Small Business Financing Authority (VSBFA).

The promissory notes have maturity dates of 6 to 60 months from issuance. Payment due at maturity includes principal plus interest, at rates ranging from 2% to 10%.

In some cases, CIT has granted extensions as the notes have become due. At CIT's option, CIT may convert certain notes into company equity, subject to terms of the related note.

Notes due to be repaid within one fiscal year have been classified as Current Notes Receivable. Notes due to be repaid after one fiscal year or longer have been classified as Noncurrent Notes Receivable.

At June 30, 2019, CIT held \$5,322,337 in notes receivable. Due to the risk involved with emerging-stage companies, CIT elects to set up an allowance for the full amount when a promissory note is issued. At fiscal year-end, CIT set up a full allowance of \$5,322,337.

NOTE G – CAPITAL ASSETS

The Organization had the following capital asset activities as of and during the year ended June 30, 2019:

	Beginning Balance*	Acquisitions and Additions	Sales and Dispositions	Ending Balance
Land and land improvements	\$ 5,161,665	\$ -	\$ -	\$ 5,161,665
Building and improvements	27,779,330	-	-	27,779,330
Accumulated Depreciation	(19,845,623)	756,139	-	(20,601,762)
Trademark	490	-	(490)	-
Total	<u>\$ 13,095,862</u>	<u>\$ 756,139</u>	<u>\$ (490)</u>	<u>\$ 12,339,233</u>

*Land beginning balance restated, Note C

NOTE G – CAPITAL ASSETS (continued)

Depreciation Expense of \$756,139 includes \$2,480 of depreciation, included in Building Expenses on the Statement of Revenues, Expenses and Changes in Net Position, on a generator accepted in lieu of rent to Commonwealth of Virginia in a prior fiscal year.

NOTE H – CONCENTRATION OF REVENUE

For the fiscal year ended June 30, 2019, approximately 67% of the Organization's revenue was from appropriations received from the Commonwealth of Virginia.

NOTE I – COMPENSATED ABSENCES

It is CIT's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since CIT does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred. Each employee may carry the equivalent of two weeks of annual leave forward to the following calendar year.

NOTE J – COMMITMENTS

As the date of this report, CIT has entered into two operating leases. Rental expense for operating leases for the year ended June 30, 2019 was \$6,422 for CIT. CIT has the following minimum rental payments due under operating leases, as of June 30, 2019:

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 6,166
2021	\$ 6,080
2022	5,067
Total	<u>\$ 17,313</u>

NOTE K – EQUITY POSITIONS

At June 30, 2019, CIT and M37 Carried Interest, LLC held equity positions in 95 start-up organizations, obtained through CIT's GAP Fund. The equity was obtained by exercising conversion options in the GAP Fund note purchase agreements and through cash purchases.

The equity of one of the companies, Eventbrite Inc., is traded on the open market, and has been recorded at fair market value as of June 30, 2019. The 728 shares held in Eventbrite Inc. were subsequently sold in August 2019. The rest of the companies are not traded on the open market so it is difficult to determine a market value for the equity positions without full company valuations. Because there is no clear assessment of value, the Organization has not recorded the equity positions as assets and as such, are listed in detail below.

CIT's GAP Fund equity portfolio not traded on the open market, as of June 30, 2019 is detailed below:

Company Name	Number of Shares/ Units	Equity Type
418 Intelligence Corp.	109,494	Preferred
Anatrope, Inc.	59,167	Common
Aquanta, Inc.	2,679,389	Preferred
Archemedx	315,975	Preferred
Ario, Inc.	57,180	Preferred
Atomic Corporate Industries, Inc.	79,616	Preferred
Axon Ghost Sentinel, Inc.	59,167	Common
Blue Triangle Technologies, Inc.	12,955	Preferred
Brazen Careerist, Inc.	477,981	Preferred
CargoSense, Inc.	321,395	Preferred
Cavion LLC	968,907	Common
ChurnZero, Inc.	476,810	Preferred
Cirrusworks, Inc.	163,040	Preferred
Cirrusworks, Inc.	205,210	Common
Cont3nt.com, Inc.	133,262	Preferred
Contraline, Inc.	N/A	SAFE
Cyber 20/20, Inc.	74,386	Common
CynjaTech, LLC	373,636	Units
Cyph, Inc.	360,772	Common
Dark3, Inc.	22,222	Preferred
Disrupt6, Inc.	367,986	Common
Distil, Inc.	1,139,840	Preferred
DivvyCloud, Inc.	684,049	Preferred
EdConnective	200,000	Common
Eunomic Inc.	59,167	Common
Fitnet Corporation	965	Preferred
Gathering, Inc. (aka Rize)	699,077	Preferred
GovTribe Inc.	4,037	Preferred
Gryphn Corporation, Inc.	24,621	Preferred
Gyomo, Inc.	23,667	Common
Hashlit, Inc.	125,000	Preferred
Hideez Group, Inc.	428,810	Common
Hill Top Security Inc.	180	Common
Hungry Marketplace, Inc.	191,681	Preferred
Huntress Labs, Inc.	591,667	Common
Hypercube Technologies, Inc.	N/A	SAFE
Hypercube Technologies, Inc.	400,000	Common
iAspire, LLC	72,153	Common
ID.me, Inc.	203,206	Preferred
INF Robotics Inc.	N/A	SAFE
Introhive, Inc.	322,580	Preferred
iTi Health, Inc.	62,696	Preferred
Liteldeas, LLC	48,668	Preferred
LiveSafe, Inc.	101,153	Preferred
Loci, Inc.	14,040	Common
Locurity Inc.	59,167	Common
Loop88, Inc.	43,450	Preferred

CIT's GAP Fund equity portfolio not traded on the open market, as of June 30, 2019 (continued):

Company Name	Number of Shares/ Units	Equity Type
Manor Financial Inc./Upsidedoor	238,435	Preferred
MarginEdge Co.	314,536	Preferred
Maternity Neighborhood, Inc.	200,000	Preferred
Micronic Technologies, Inc.	25,964	Preferred
Mobilesense Technologies, Inc.	451,329	Common
Nexvortex, Inc.	23,654	Common
Ostendio, Inc.	99,573	Preferred
PerformYard, Inc.	347,830	Preferred
Piedmont BioProducts, LLC	300	Units
Plutus Privacy Security, Inc.	200	Common
Power Fingerprinting, Inc.	21,672	Preferred
PublicRelay, Inc.	985,027	Preferred
Quirk, Inc.	188,000	Common
Riogin, LLC	1,507	Units
RunSafe Security, Inc.	378,359	Preferred
SceneThink, Inc.	769	Preferred
Senseware, Inc.	723,788	Preferred
Shevirah Inc.	384,199	Common
Shifone, Inc.	321,015	Preferred
Sitscape Inc.	37	Common
Societas Analytics, Inc.	40,000	Common
Soft Tissue Regeneration, Inc.	33,038	Preferred
South49 Solutions, Inc.	250,000	Preferred
Status Identity, Inc.	40,000	Common
Syncurity Corporation	5,917	Common
TearSolutions, Inc.	82,680	Preferred
Tensor Wrench, Inc.	631	Common
Territory Foods, Inc.	286,530	Common
ThreatLocker, Inc.	4,000	Common
ThreatQuotient, Inc.	440,691	Preferred
Two Six Labs, Inc	827,290	Preferred
Urgent.Ly Inc.	106,945	Preferred
Vangogh Imaging, Inc.	80,000	Common
Vangogh Imaging, Inc.	200,000	Preferred
Virgil Security, Inc.	324,675	Common
VividCortex, Inc.	212,359	Preferred
vThreat, Inc.	59,167	Common
vThreat, Inc.	48,182	Preferred
Wealthengine, Inc.	47,002	Preferred
WealthForge, LLC	33,422	Preferred
YaSabe, Inc.	2,295,923	Preferred
Zoobean, Inc.	1,256,982	Preferred
Zoomph, Inc.	133,333	Preferred

M37 Carried Interest, LLC's equity portfolio not traded on the open market, as of June 30, 2019:

Company Name	Number of Shares/Units	Equity Type
Adlumin, Inc.	731,707	Common
BroadBridge Networks, Inc.	80,000	Common
Ekran System, Inc.	80,000	Common
Intelligence Framework Inc.	80,000	Common
NeoEyed, Inc.	80,000	Common
NS8 Inc.	486,956	Preferred
SecureHome Inc.	800,000	Common
ThreatSwitch, Inc.	97,570	Common

NOTE L - EMPLOYEE BENEFITS

CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, CIT makes contributions fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Plan contributions are fully and immediately vested and amounts are non-forfeitable. Additional tax-deferred contribution, subject to certain limitations, may be made by the employees through a salary reduction program. Pension expense for the plan totaled \$450,853 for the fiscal year ended June 30, 2019.

NOTE M - CONTINGENT LIABILITIES

At June 30, 2019, CIT had no Contingent Liabilities.

NOTE N - RISK MANAGEMENT

The Authority and CIT are exposed to various risks of loss related to: torts, theft, or damage and destruction to assets, injuries to employees, and natural disasters. Risk management insurance includes general liability, property, directors and officers, errors and omissions, equipment, and worker's compensation. The Authority is insured through the Commonwealth's Risk Management Program. CIT is insured through commercial insurance policies with The Hartford, and Philadelphia Indemnity Insurance Company, CIT's health care plan is administered by Anthem. M37 CI is insured through a commercial insurance policy with Armfield, Harrison & Thomas, Inc. (AHT) Insurance.

NOTE O – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 21, 2020, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

M37 Carried Interest, LLC – In March 2020, CIT sold its interest in M37 Carried Interest, LLC to Savano Capital Partners for \$4,475,652.

Herndon Property Sale – The Virginia General Assembly 2017 Session, Virginia Acts of Assembly, Chapter 836, designated the Authority's real property and improvements, located in Herndon, Virginia, as surplus property. On May 14, 2020, the Commonwealth closed on the sale of the property. \$47.35M in proceeds

NOTE O – SUBSEQUENT EVENTS (continued)

were received by the Department of General Services and, pursuant to legislation, distributed to the Virginia Research Investment Fund.

VIPA Legislation – Legislation was passed during the FY2020 General Assembly session to establish the Virginia Innovation Partnership Authority (VIPA) on July 1, 2020, and repeal the Innovation and Entrepreneurship Investment Authority (Authority) on June 30, 2020. VIPA was created to support the life cycle of innovation, from translational research; to entrepreneurship; to pre-seed and seed stage funding; and to acceleration, growth, and commercialization, resulting in the creation of new jobs and company formation. A collaborative, consistent, and consolidated approach will assist the Commonwealth in identifying its entrepreneurial strengths, including the identification of talents and resources that make the Commonwealth a unique place to grow and attract technology-based businesses. VIPA is the successor in interest to IEIA and the Virginia Research Investment Committee (VRIC). Legislation defines a new VIPA board structure and names CIT as the managing non-profit of VIPA. VIPA consolidates specific Commonwealth appropriated economic development initiatives, known as Centers of Excellence, under one umbrella including the Virginia Biosciences Health Research Corporation, the Commonwealth Center for Advanced Manufacturing, the Commonwealth Cyber Initiative, the Commonwealth Center for Advanced Logistics, and Virginia Academy of Engineering, Science and Medicine.

SUPPLEMENTARY INFORMATION

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with
CENTER FOR INNOVATIVE TECHNOLOGY and SUBSIDIARIES
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2019

	Authority	CIT and Subsidiaries	Eliminating Entry	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 3,054,576	\$ 10,015,388	\$ -	\$ 13,069,964
Marketable Equity Securities	-	11,794	-	11,794
Accounts and accrued receivables	11,577	224,416	-	235,993
Less: allowance for doubtful accounts	(5,651)	-	-	(5,651)
Due from COV	10,195	-	-	10,195
Prepaid expenses and deposits	-	176,778	-	176,778
Notes receivable	-	3,355,834	-	3,355,834
Less: allowance for doubtful accounts	-	(3,355,834)	-	(3,355,834)
Due from IEIA	-	67,436	(67,436)	-
Total current assets	3,070,697	10,495,812	(67,436)	13,499,073
Noncurrent assets:				
Interest in MACH37, LLC	-	490	-	490
Notes receivable	-	1,966,503	-	1,966,503
Less: allowance for doubtful accounts	-	(1,966,503)	-	(1,966,503)
Unamortized leasing commissions	1,020	-	-	1,020
Total noncurrent assets	1,020	490	-	1,510
Capital assets:				
Land and land improvements	5,161,665	-	-	5,161,665
Building and improvements (net of depreciation)	7,177,568	-	-	7,177,568
Total capital assets	12,339,233	-	-	12,339,233
Total assets	15,410,950	10,496,302	(67,436)	25,839,816
LIABILITIES				
Current liabilities:				
Accounts payable	22,792	400,819	-	423,611
Accrued expenses	-	208,007	-	208,007
Prepaid rental income	184,218	-	-	184,218
Compensated absences	-	30,000	-	30,000
Security deposits	1,800	-	-	1,800
Due to CIT	67,436	-	(67,436)	-
Total current liabilities	276,246	638,826	(67,436)	847,636
Long Term liabilities:				
Compensated absences	-	155,573	-	155,573
Total long term liabilities	-	155,573	-	155,573
Total liabilities	276,246	794,399	(67,436)	1,003,209
NET POSITION				
Net investment in capital assets	12,339,233	-	-	12,339,233
Unrestricted	2,795,471	9,701,903	-	12,497,374
Total net position	\$ 15,134,704	\$ 9,701,903	\$ -	\$ 24,836,607

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with
CENTER FOR INNOVATIVE TECHNOLOGY and SUBSIDIARIES
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2019

	Authority	CIT and Subsidiaries	Eliminating Entry	Total
Operating revenues:				
Lease	\$ 1,013,185	\$ -	\$ (6,103)	\$ 1,007,082
Contracts and grants	-	1,864,544	-	1,864,544
Growth Acceleration Program	-	328,051	-	328,051
Miscellaneous	-	119,774	-	119,774
Total operating revenues	1,013,185	2,312,369	(6,103)	3,319,451
Operating expenses:				
Program expenses:				
Research and development	-	3,358,436	-	3,358,436
Entrepreneur	-	6,127,342	(835)	6,126,507
Strategic Initiatives	-	1,773,165	-	1,773,165
Broadband	-	713,169	-	713,169
Commonwealth support	-	2,170,124	(698)	2,169,426
Total program expenses	-	14,142,236	(1,533)	14,140,703
Other expenses:				
Communications and marketing	-	390,795	-	390,795
Building management	-	17,800	-	17,800
Advocacy and other unallowable expenses	-	28,311	-	28,311
Indirects (overapplied) underapplied to projects	-	(366,376)	(4,570)	(370,946)
Building and Authority administrative	1,309,007	432	-	1,309,439
Depreciation	753,660	-	-	753,660
Total other expenses	2,062,667	70,962	(4,570)	2,129,059
Total operating expenses	2,062,667	14,213,198	(6,103)	16,269,762
Operating loss	(1,049,482)	(11,900,829)	-	(12,950,311)
Non-operating revenues/(expenses):				
Appropriations from the Commonwealth of Virginia	10,938,498	-	-	10,938,498
Interest revenue	77,770	309,459	-	387,229
Gain (Loss) on investment	-	1,644,702	-	1,644,702
Member contributions (draws)	-	(914)	-	(914)
Total non-operating revenues/(expenses)	11,016,268	1,953,247	-	12,969,515
Income/(loss) before transfers and other comprehensive income	9,966,786	(9,947,582)	-	19,204
Transfers (out)/in - Appropriations	(10,938,498)	10,938,498	-	-
Change in net position	(971,712)	990,916	-	19,204
Change in net position	(971,712)	990,916	-	19,204
Net position at July 1, 2018, restated (Note C)	16,106,416	8,710,987	-	24,817,403
Net position at June 30, 2019	\$ 15,134,704	\$ 9,701,903	\$ -	\$ 24,836,607

CENTER FOR INNOVATIVE TECHNOLOGY and SUBSIDIARIES
CONSOLIDATING STATEMENT OF NET POSITION
As of June 30, 2019

	CIT	M37 Equity Pool, LLC	M37 Carried Interest, LLC	Eliminating Entry	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 10,004,403	\$ -	\$ 10,985	\$ -	\$ 10,015,388
Marketable Equity Securities	11,794	-	-	-	11,794
Accounts and accrued receivables	224,416	-	-	-	224,416
Prepaid expenses and deposits	176,778	-	-	-	176,778
Notes receivable	3,355,834	-	-	-	3,355,834
Less: allowance for doubtful accounts	(3,355,834)	-	-	-	(3,355,834)
Due from IEIA	67,436	-	-	-	67,436
Due from M37 Carried Interest, LLC	10,985	-	-	(10,985)	-
Total current assets	10,495,812	-	10,985	(10,985)	10,495,812
Noncurrent assets:					
Interest in MACH37, LLC	490	-	-	-	490
Notes receivable	1,966,503	-	-	-	1,966,503
Less: allowance for doubtful accounts	(1,966,503)	-	-	-	(1,966,503)
Total noncurrent assets	490	-	-	-	490
Total assets	10,496,302	-	10,985	(10,985)	10,496,302
LIABILITIES					
Current liabilities:					
Accounts payable	400,819	-	-	-	400,819
Accrued expenses	208,007	-	-	-	208,007
Compensated absences	30,000	-	-	-	30,000
Due to CIT	-	-	10,985	(10,985)	-
Total current liabilities	638,826	-	10,985	(10,985)	638,826
Long Term liabilities:					
Compensated absences	155,573	-	-	-	155,573
Total long term liabilities	155,573	-	-	-	155,573
Total liabilities	794,399	-	10,985	(10,985)	794,399
NET POSITION					
Unrestricted	9,701,903	-	-	-	9,701,903
Total net position	\$ 9,701,903	\$ -	\$ -	\$ -	\$ 9,701,903

CENTER FOR INNOVATIVE TECHNOLOGY and SUBSIDIARIES

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2019

	CIT	M37 Equity Pool, LLC	M37 Carried Interest, LLC	Eliminating Entry	Total
Operating revenues:					
Contracts and grants	1,864,544	-	-	-	1,864,544
Growth Acceleration Program	328,051	-	-	-	328,051
Miscellaneous	119,774	-	-	-	119,774
Total operating revenues	2,312,369	-	-	-	2,312,369
Operating expenses:					
Program expenses:					
Research and development	3,358,406	-	-	30	3,358,436
Entrepreneur	6,127,342	-	-	-	6,127,342
Strategic Initiatives	1,773,165	-	-	-	1,773,165
Broadband	713,169	-	-	-	713,169
Subsidiary operating expenses	-	15	15	(30)	-
Commonwealth support	2,170,124	-	-	-	2,170,124
Total program expenses	14,142,206	15	15	-	14,142,236
Other expenses:					
Communications and marketing	390,795	-	-	-	390,795
Building management	17,800	-	-	-	17,800
Advocacy and other unallowable expenses	28,311	-	-	-	28,311
Indirects (overapplied) underapplied to projects	(366,376)	-	-	-	(366,376)
Other	432	-	-	(432)	-
Building and Authority administrative	-	-	-	432	432
Total other expenses	70,962	-	-	-	70,962
Total operating expenses	14,213,168	15	15	-	14,213,198
Operating loss	(11,900,799)	(15)	(15)	-	(11,900,829)
Non-operating revenues/(expenses):					
Interest revenue	309,459	-	-	-	309,459
Gain (Loss) on investment	1,643,758	2,145	17,738	(18,939)	1,644,702
Member contributions (draws)	-	(2,130)	(17,723)	18,939	(914)
Total non-operating revenues/(expenses)	1,953,217	15	15	-	1,953,247
Income/(loss) before transfers and other comprehensive income	(9,947,582)	-	-	-	(9,947,582)
Transfers (out)/in - Appropriations	10,938,498	-	-	-	10,938,498
Change in net position	990,916	-	-	-	990,916
Change in net position	990,916	-	-	-	990,916
Net position at July 1, 2018	8,710,987	-	-	-	8,710,987
Net position at June 30, 2019	\$ 9,701,903	\$ -	\$ -	\$ -	\$ 9,701,903

APPENDIX A
Independent Auditor's Report on Financial Statements



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

August 21, 2020

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Innovation and Entrepreneurship Investment Authority and
Center for Innovative Technology

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the Innovation and Entrepreneurship Investment Authority, a component unit of the Commonwealth of Virginia, including its blended component unit, the Center for Innovative Technology as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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, 2019, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note C of the accompanying financial statements, the fiscal year 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages one through four 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 the 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Consolidating Statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Consolidating Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Consolidating Statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2020 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

LDJ/vks

APPENDIX B
Agency Officials

INNOVATION and ENTREPRENEURSHIP INVESTMENT AUTHORITY
And
CENTER FOR INNOVATIVE TECHNOLOGY

BOARD OF DIRECTORS
As of June 30, 2019

Michael Steed, Chairman
Walter Mazan, Vice Chairman

Jonathan Aberman	Angela Kellett
Brian Ball	Bernard Mustafa
Emil Avram	Kristie Helmick Proctor
Ángel Cabrera	Atif Qarni
Stephen Chapin	Rob Quartel
Marilyn Crouther	James Ryan
Marty Kaszubowski	Timothy Sands

OFFICERS

Ed Albrigo, President and Chief Executive Officer, CIT

Susan Aitcheson, Treasurer and Secretary, CIT and IEIA