

**INNOVATIVE TECHNOLOGY AUTHORITY
AND
CENTER FOR INNOVATIVE TECHNOLOGY
HERNDON, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Innovative Technology Authority and the Center for Innovative Technology for the year ended June 30, 2000, found:

- the financial statements are presented fairly, in all material respects;
- an internal control matter that we consider to be a reportable condition, however, we do not consider this matter to be a material weakness; and
- no instances of noncompliance with applicable laws and regulations that are required to be reported.

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August 18, 2000

The Honorable James S. Gilmore, III
Governor of Virginia

Board of Directors
Innovative Technology Authority and
Center for Innovative Technology

We have audited the accounts and records of the **Innovative Technology Authority** and the **Center for Innovative Technology** for the year ended June 30, 2000, and submit herewith our complete reports on financial statements, compliance and internal control over financial reporting, and compliance applicable to major programs and internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the combined financial statements of the Innovative Technology Authority and the Center for Innovative Technology as of and for the year ended June 30, 2000, as listed in the Table of Contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 audit provides 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 Innovative Technology Authority and the Center for Innovative Technology at June 30, 2000, and the results of their operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Combined Schedule of Changes in Fund Balances listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statement of the Authority or the Center. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

In planning and performing our audit of the financial statements of the Authority and the Center as of and for the year ended June 30, 2000, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, and contracts in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's and the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's and the Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the section entitled, "Internal Control Finding and Recommendations."

We believe this reportable condition is not a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected promptly by employees in the normal course of performing their

duties. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Center with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2000. The Center's major federal program is identified in the "Schedule of Findings." Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely

period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

The “Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on the Audit of the Financial Statements Performed in Accordance with Government Auditing Standards” and the “Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133” are intended solely for the information and use of the Governor and General Assembly of Virginia, the Innovative Technology Authority and Center for Innovative Technology Board and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

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SCHEDULE OF FINDINGS

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reportable conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reportable conditions identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>No</u>

The Center's major program is as follows:

<u>CFDA #</u>	<u>Name of Federal Program</u>
43.000	Hampton Roads Technology Incubator

SCHEDULE OF FINDINGS

SECTION II: INTERNAL CONTROL FINDING AND RECOMMENDATIONS

Establish a Policy Governing Board Disclosure

The CIT Board of Directors has no policies regarding the nature and types of financial and related transactions they expect management to bring to their attention for review and approval before their execution. In May 2000, management informed the CIT Board of Directors that Allos Therapeutics, Inc. would be going public and that 62,000 shares that CIT owned would have a potential value in excess of \$600,000. CIT received the stock as a result of its assistance to Allos Therapeutics, Inc. in licensing their technology. CIT is restricted in selling the shares until September 25, 2000.

Management did not inform the CIT Board in advance of its plans to transfer ownership of the stock to Innovative Technology Foundation. Although the CIT Board created Innovative Technology Foundation in 1986, it has had little or no activity since its creation. When questioned concerning the transfer, management asked for and received a meeting of the Board's Executive Committee on August 30, 2000, which approved the transfer.

The CIT Board should establish a policy outlining the nature and type of financial and related transactions that management should bring to the Board's attention and receive its approval to proceed forward. Additionally, management and the CIT Board of Directors should review its affiliated organizations, since recent changes in accounting standards may require at least footnote disclosure and, in certain circumstances, the consolidation of the entity into the parent.

FINANCIAL STATEMENTS

INNOVATIVE TECHNOLOGY AUTHORITY AND
CENTER FOR INNOVATIVE TECHNOLOGY
COMBINED BALANCE SHEET
As of June 30, 2000

	ITA	CIT	Eliminating Entry	Total
A S S E T S				
Current assets:				
Cash and cash equivalents (Note B)	\$ 1,305,730	\$ 1,908,081	\$ -	\$ 3,213,811
Cash with the Treasurer of Virginia (ACAF) (Note B)	-	350,000	-	350,000
Short-term investments (Note B)	-	5,079,241	-	5,079,241
Investments (Note C)	-	604,500	-	604,500
Accounts receivable (Net of allowance for doubtful accounts of \$ 4,840 and \$ 799,700)	107,110	250,736	-	357,846
Accrued rent and interest receivable, prepaid travel, and deposits	178,198	76,595	-	254,793
Due from CIT	275,133	-	(275,133)	-
Total current assets	1,866,171	8,269,153	(275,133)	9,860,191
Noncurrent assets:				
Unamortized bond issuance expense	124,009	-	-	124,009
Other assets	-	198,639	-	198,639
Total noncurrent assets	124,009	198,639	-	322,648
Property and equipment:				
Land	7,300,000	-	-	7,300,000
Land improvements	627,197	-	-	627,197
Building	24,942,075	-	-	24,942,075
Less accumulated depreciation	(4,498,818)	-	-	(4,498,818)
Furniture, fixtures and equipment	3,113,934	-	-	3,113,934
Less accumulated depreciation	(2,193,872)	-	-	(2,193,872)
Total property and equipment	29,290,516	-	-	29,290,516
Total assets	\$ 31,280,696	\$ 8,467,792	\$ (275,133)	\$ 39,473,355
LIABILITIES AND FUND BALANCE				
Current liabilities:				
Due to ITA	\$ -	\$ 275,133	\$ (275,133)	\$ -
Accrued interest payable	142,215	-	-	142,215
Accounts payable and accrued expenses	121,391	764,588	-	885,979
Grants and contracts payable (Note E)	-	6,391,600	-	6,391,600
Assets held in trust - LMDS	-	1,922	-	1,922
Security deposits	13,617	-	-	13,617
Total current liabilities	277,223	7,433,243	(275,133)	7,435,333
Long-term liabilities:				
Bonds payable (Note D)	11,655,000	-	-	11,655,000
Other liabilities	-	198,639	-	198,639
Total long-term liabilities	11,655,000	198,639	-	11,853,639
Total liabilities	11,932,223	7,631,882	(275,133)	19,288,972
Fund balance	19,348,473	835,910	-	20,184,383
Total liabilities and fund balance	\$ 31,280,696	\$ 8,467,792	\$ (275,133)	\$ 39,473,355

The accompanying notes to financial statements are an integral part of this statement.

INNOVATIVE TECHNOLOGY AUTHORITY AND
CENTER FOR INNOVATIVE TECHNOLOGY
COMBINED STATEMENT OF SUPPORT AND REVENUE,
EXPENSES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2000

	ITA	CIT	Eliminating Entry	Total
SUPPORT AND REVENUE				
Appropriations from the Commonwealth of Virginia	\$ 13,255,662	\$ -	\$ -	\$ 13,255,662
Interest income	73,298	435,881	-	509,179
Lease revenue	1,298,709	-	-	1,298,709
Rental income - Bonds	1,422,560	-	-	1,422,560
Federal contracts	-	325,000	-	325,000
Program income - sponsors and seminars	-	130,895	-	130,895
Intellectual property income	-	69,732	-	69,732
Net gain on investments (Note C)	-	604,500	-	604,500
Other income	100,925	247,598	-	348,523
Total support and revenue	16,151,154	1,813,606	-	17,964,760
EXPENSES				
Programs:				
Internet Utilization				
Grants and program cost	-	2,322,364	-	2,322,364
Designated projects	-	150,000	-	150,000
Salaries and benefits	-	703,065	-	703,065
Administrative costs	-	269,298	-	269,298
Capacity Building				
Grants and program cost	-	4,726,414	-	4,726,414
Designated projects	-	1,264,999	-	1,264,999
Salaries and benefits	-	944,686	-	944,686
Administrative costs	-	293,329	-	293,329
Technical Company Assistance				
Grants and program cost	-	115,888	-	115,888
Salaries and benefits	-	1,234,405	-	1,234,405
Administrative costs	-	532,753	-	532,753
Total programs expenses	-	12,557,201	-	12,557,201
Operating:				
Salaries and related costs	-	937,945	-	937,945
Other administration	32,790	325,387	-	358,177
Interest	892,485	-	-	892,485
Depreciation	1,168,518	-	-	1,168,518
Building operation costs	1,202,306	-	-	1,202,306
Refund appropriations to the Commonwealth	500,000	-	-	500,000
Net loss on disposal of fixed assets	5,732	-	-	5,732
Total operating expenses	3,801,831	1,263,332	-	5,065,163
Total programs and operating expenses	3,801,831	13,820,533	-	17,622,364
Excess (deficiency) of support and revenue over (under) programs and operating expenses	12,349,323	(12,006,927)	-	342,396
Transfers and other changes:				
Operating transfers in	896,391	13,182,237	(14,078,628)	-
Operating transfers out	(13,182,237)	(896,391)	14,078,628	-
Net transfers and other changes	(12,285,846)	12,285,846	-	-
Change in fund balance	63,477	278,919	-	342,396
Fund balance at July 1, 1999	19,284,996	556,991	-	19,841,987
Fund balance at June 30, 2000	\$ 19,348,473	\$ 835,910	\$ -	\$ 20,184,383

The accompanying notes to financial statements are an integral part of this statement.

INNOVATIVE TECHNOLOGY AUTHORITY AND
CENTER FOR INNOVATIVE TECHNOLOGY
COMBINED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2000

	ITA	CIT	Eliminating Entry	Total
Cash flows from operating activities:				
Excess of expenses over support and revenue and transfers	\$ 63,477	\$ 278,919	\$ -	\$ 342,396
Reconciling items:				
Depreciation and amortization	1,168,518	-	-	1,168,518
Net gain on investments	-	(604,500)	-	(604,500)
Loss on disposal of fixed assets	5,732	-	-	5,732
Change in assets and liabilities:				
(Increase) in accounts receivable	(71,106)	(106,446)	-	(177,552)
(Increase) decrease in accrued interest receivable	22,008	(8,508)	-	13,500
Decrease in unamortized bond issuance expense	11,480	-	-	11,480
(Increase) in other assets	-	(16,614)	-	(16,614)
Increase (decrease) in accounts payable and accrued expenses	(60,908)	109,035	-	48,127
(Decrease) in due to CIT	(362,320)	-	362,320	-
Decrease in due from ITA	-	362,320	(362,320)	-
(Decrease) in accrued interest payable	(6,021)	-	-	(6,021)
Increase in grants payable	-	1,348,037	-	1,348,037
(Decrease) in security deposits	(4,562)	-	-	(4,562)
Increase in other liabilities	-	18,536	-	18,536
Net cash provided by operating activities	766,298	1,380,779	-	2,147,077
Cash flows from investing activities:				
Acquisition of short-term investments	-	(79,209)	-	(79,209)
Increase in amortization of discount/premium	-	(1,966)	-	(1,966)
Net cash provided by investing activities	-	(81,175)	-	(81,175)
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(449,423)	-	-	(449,423)
Cash payment to retire bond indenture	(540,000)	-	-	(540,000)
Sale of fixed assets	1,232	-	-	1,232
Net cash provided by capital and related financing activities	(988,191)	-	-	(988,191)
Net increase (decrease) in cash and cash equivalents	(221,893)	1,299,604	-	1,077,711
Cash and cash equivalents at July 1, 1999	1,527,623	958,477	-	2,486,100
Cash and cash equivalents at June 30, 2000	\$ 1,305,730	\$ 2,258,081	\$ -	\$ 3,563,811

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

INNOVATIVE TECHNOLOGY AUTHORITY

AND

CENTER FOR INNOVATIVE TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2000

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The combined financial statements include the accounts of the Innovative Technology Authority (ITA) and the Center for Innovative Technology (CIT) after elimination of all significant intercompany balances and transactions. The Innovative Technology Authority is a political subdivision of the Commonwealth of Virginia. Its mission is to promote the economic development of the Commonwealth of Virginia through technology. The Center for Innovative Technology is a non-stock, not-for-profit corporation, which acts as the operating arm of the ITA. The financial statements have been prepared on the accrual basis of accounting.

Unrestricted Fund Balance: The unrestricted fund balance is comprised of two major elements: designated and undesignated. The designated portion of the fund balance represents management's tentative plans for the use of current financial resources in the future. Undesignated fund balance represents financial resources available to finance expenditures other than those tentatively planned by management. As of June 30, 2000, the fund balance is comprised of the following elements which are detailed more fully in the supplementary information:

	<u>ITA</u>	<u>CIT</u>	<u>Total</u>
Designated	\$ 18,865,059	\$ 638,745	\$ 19,503,804
Undesignated	<u>483,414</u>	<u>197,165</u>	<u>680,579</u>
Total	<u>\$ 19,348,473</u>	<u>\$ 835,910</u>	<u>\$ 20,184,383</u>

Property and Equipment: Property and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. Depreciation is recorded on the straight-line basis over estimated useful lives of the assets ranging from three to forty years.

Grants Awards: Grant awards are recorded as an expense upon approval of the grants by the CIT.

Income Taxes: The CIT is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code.

NOTE B – CASH AND INVESTMENTS

Certain deposits and investments are maintained by ITA and CIT or are represented by specific identifiable investment securities maintained by the Treasurer of Virginia, or are held by the Bank of New York or Bank of America. Cash and cash equivalents represent deposits and short-term investments with maturities of less than one year. Deposits and investments held by Bank of New York, as trustee are accounted for in accordance with the provisions of the Master Indenture of Trust Agreement and the Supplemental Indenture of Trust Agreement between the Authority and the trustee.

The cash and cash equivalents of the CIT and ITA are categorized below to give an indication of the level of credit risk assumed by the CIT and ITA at June 30, 2000. Credit risk is the risk that the CIT or the ITA may not be able to obtain possession of its investment instrument or collateral at maturity. Risk category 1 includes cash and cash equivalents which are insured or registered or for which the securities are held by the CIT or the ITA or their safekeeping agent in their respective names. Risk category 2 includes uninsured or unregistered investments for which the securities are held by the brokers' or dealers' trust department or safekeeping department in their respective names. Risk category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping department but not in either name. There were no investments in risk category 2 and 3. Deposits and the Local Government Investment Pool are not categorized into one of these risk categories since equity in the pool does not consist of identifiable securities.

	<u>Category 1</u>	<u>Not Categorized</u>	<u>Market Value</u>
Cash and cash equivalents:			
Cash in office		\$ 1,250	\$ 1,250
Deposits		237,211	237,211
Local Government Investment Pool		<u>2,975,350</u>	<u>2,975,350</u>
Total cash and cash equivalents		<u>3,213,811</u>	<u>3,213,811</u>
Cash with the Treasurer of Virginia		<u>350,000</u>	<u>350,000</u>
Short-term investments:			
U.S. Government securities	\$ 4,999,780	-	4,999,780
Municipal bonds	<u>79,461</u>	-	<u>79,461</u>
Total short-term investments	<u>5,079,241</u>	-	<u>5,079,241</u>
Investments	<u>604, 500</u>	-	<u>604,500</u>
Total cash, cash equivalents, and short-term investments	<u>\$ 5,683,741</u>	<u>\$ 3,563,811</u>	<u>\$ 9,247,552</u>

NOTE C – INVESTMENT IN ALLOS THERAPEUTICS, INC.

At June 30, 2000, CIT holds 62,000 shares of common stock in Allos Therapeutics, Inc. The stock was issued in 1996 as a result of CIT's assistance to Allos in licensing their technology. Allos had an initial public offering in March 2000. The fair market value of the stock at June 30, 2000 was \$604,500. CIT is restricted from selling the stock until September 25, 2000. On July 20, 2000, all shares of the common stock having a fair market value of \$616,000 were transferred to the Innovative Technology Foundation, a component unit of the Center for Innovative Technology.

In 1986, CIT created the Innovative Technology Foundation to promote and support economic and industrial development, encourage technical innovation, coordinate research and development capabilities of institutions with requirements of public and private sectors of the economy, and otherwise aid in the accomplishment of the mission of the Center for Innovative Technology. The foundation is a non-stock, non-profit corporation. Before the transfer of stock on July 20, 2000, the Foundation held cash of approximately \$15,000.

NOTE D – BONDS PAYABLE

The ITA issued \$12,455,000 of Taxable Lease Revenue Refunding Bonds on May 1, 1997, pursuant to a Master Indenture of Trust and First Supplemental Indenture of Trust between the ITA and Signet Trust Company, Richmond, Virginia, as Trustee (since transferred to the Bank of New York). The Series 1997 Bonds were issued by the ITA to advance refund \$11,200,000 of outstanding 1989 Taxable Revenue Lease Bonds, Series 1989. The Commonwealth of Virginia leases facilities from the Authority. Lease payments received from the Department of Treasury are equal to the annual principal and interest costs on the bonds.

The following amortization schedule illustrates the Authority's principal and interest requirements for the Series 1997 Bonds.

<u>Series</u>	<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	2001	\$ 535,000	\$ 853,288	\$ 1,388,288
	2002	530,000	816,801	1,346,801
	2003	625,000	780,337	1,405,337
	2004	620,000	736,587	1,356,587
	2005	710,000	692,691	1,402,691
	2006	700,000	641,855	1,341,855
	2007	790,000	591,525	1,381,525
	2008-2014	<u>7,145,000</u>	<u>2,279,080</u>	<u>9,424,080</u>
Total		<u>\$11,655,000</u>	<u>\$7,392,164</u>	<u>\$19,047,164</u>

NOTE E – GRANTS PAYABLE

Grants are awarded to Virginia colleges and universities for scientific research and to Virginia headquartered and operated companies to promote research and development. Cash is transmitted to the award recipients as needed to fund grant disbursements. The grants payable represents the balance of grant awards not paid at June 30, 2000.

NOTE F – 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 Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). Pension expense for the plan totaled \$369,686 in 2000 for covered payroll of \$2,464,573.

NOTE G – EQUITY POSITIONS

The CIT holds equity positions in several start-up organizations acquired through its Intellectual Property program. CIT receives stock as a result of its assistance to the start-up companies in licensing their technologies. Since the stock is transferred to CIT from the universities without cost to CIT, there is no cost basis to assess the stock. None of the securities are traded on the open market and are therefore difficult to determine a market value. Since there is no clear assessment of value either at cost or market, these equity positions have not been recorded as assets of CIT.

SUPPLEMENTARY INFORMATION

INNOVATIVE TECHNOLOGY AUTHORITY AND
CENTER FOR INNOVATIVE TECHNOLOGY
COMBINED SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2000

	ITA	CIT	Total
INVESTMENT IN PROPERTY AND EQUIPMENT			
Fund balance at beginning of year	\$ 17,821,572	\$ -	\$ 17,821,572
Transfer from undesignated - debt retirement	540,000	-	540,000
Transfer from undesignated - equipment purchases	449,333	-	449,333
Transfer from undesignated - building additions	90	-	90
Transfer to undesignated - loss on asset disposal	(5,732)	-	(5,732)
Transfer to undesignated - proceeds from the sale of assets	(1,232)	-	(1,232)
Depreciation and amortization	(1,168,518)	-	(1,168,518)
Fund balance at end of year	17,635,513	-	17,635,513
DESIGNATED TO BUILDING PROJECT			
Fund balance at beginning of year	590,104	-	590,104
Transfer from undesignated fund - Appropriations from the Commonwealth	73,425	-	73,425
Transfer from undesignated fund - investment earnings	66,478	-	66,478
Transfer to undesignated for expenditures	(62,735)	-	(62,735)
Fund balance at end of year	667,272	-	667,272
DESIGNATED TO VENTURE CAPITAL PROJECT			
Fund balance at beginning of year	-	500,000	500,000
Transfer to undesignated	-	(500,000)	(500,000)
Fund balance at end of year	-	-	-
DESIGNATED TO ATCC PROJECT			
Fund balance at beginning of year	-	288,745	288,745
Fund balance at end of year	-	288,745	288,745
DESIGNATED TO ADVANCED COMMUNICATIONS ASSISTANCE FUND			
Fund balance at beginning of year	-	-	-
Transfer from undesignated - Appropriations from the Commonwealth	-	500,000	500,000
Transfer to undesignated for expenses	-	(150,000)	(150,000)
Fund balance at end of year	-	350,000	350,000
DESIGNATED TO ITC AND CPPP			
Fund balance at beginning of year	-	-	-
Transfer from undesignated - Appropriations from the Commonwealth	-	750,000	750,000
Transfer to undesignated for expenses	-	(750,000)	(750,000)
Fund balance at end of year	-	-	-
DESIGNATED TO YEAR 2000 PROJECT			
Fund balance at beginning of year	-	-	-
Transfer from undesignated - Appropriations from the Commonwealth	-	105,000	105,000
Transfer to undesignated for expenses	-	(29,069)	(29,069)
Transfer to undesignated for asset purchases	-	(75,931)	(75,931)
Fund balance at end of year	-	-	-
DESIGNATED TO LAND PROJECT			
Fund balance at beginning of year	562,274	-	562,274
Fund balance at end of year	562,274	-	562,274

INNOVATIVE TECHNOLOGY AUTHORITY AND
CENTER FOR INNOVATIVE TECHNOLOGY
COMBINED SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2000

	ITA	CIT	Total
UNDESIGNATED			
Fund balance at beginning of year	311,046	(231,754)	79,292
Excess of support and revenue over expenses and transfers	63,477	278,919	342,396
Depreciation, and amortization	1,168,518	-	1,168,518
Transfer to investment in property and equipment - equipment purchases	(449,333)	-	(449,333)
Transfer to investment in property and equipment - building additions	(90)	-	(90)
Transfer to investment in property and equipment - debt retirement	(540,000)	-	(540,000)
Transfer from investment in property and equipment - loss on asset disposal	5,732	-	5,732
Transfer from investment in property and equipment - proceeds from the sale of assets	1,232	-	1,232
Transfer from venture capital project	-	500,000	500,000
Transfers from building project for expenditures	62,735	-	62,735
Transfers to building project - investment earnings	(66,478)	-	(66,478)
Transfers to building project - Appropriations from the Commonwealth	(73,425)	-	(73,425)
Transfer to Advanced Communications Assistance Fund - Board designation	-	(500,000)	(500,000)
Transfer from Advanced Communications Assistance Fund for expenses	-	150,000	150,000
Transfer to Year 2000 Project	-	(105,000)	(105,000)
Transfer from Year 2000 Project for expenses	-	29,069	29,069
Transfer from Year 2000 Project for asset purchases	-	75,931	75,931
Transfer to ITC and CPPP	-	(750,000)	(750,000)
Transfer from ITC and CPPP for expenses	-	750,000	750,000
Fund balance at end of year	483,414	197,165	680,579
Total fund balances	\$ 19,348,473	\$ 835,910	\$ 20,184,383

INNOVATIVE TECHNOLOGY AUTHORITY AND
CENTER FOR INNOVATIVE TECHNOLOGY
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ending June 30, 2000

Grantor Agency	CFDA Number	Program Name	Amount
National Aeronautics and Space Administration	43.000	Hampton Roads Technology Incubator	\$ 325,000
National Aeronautics and Space Administration	43.000	Operations and Management of the NASA Mid-Atlantic Technology Center	<u>57,727</u>
		Total expenditures	<u><u>\$ 382,727</u></u>

INNOVATIVE TECHNOLOGY AUTHORITY

AND

CENTER FOR INNOVATIVE TECHNOLOGY

Herndon, Virginia

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