

MAINE STATE LEGISLATURE

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2017 ANNUAL REPORT

The Maine Technology Institute



A Message from MTI's President



Dear Friends:

Thank you for taking the time to review the annual report of the Maine Technology Institute, Maine's industry-led, publicly funded, nonprofit corporation whose core mission is to diversify and grow Maine's economy by encouraging, promoting, stimulating, and supporting innovation and its transformation into new products, services and companies, leading to the creation and retention of quality jobs in Maine.

Fiscal Year 2017, ending June 30, 2017, was an eventful one for MTI. As you will see on the proceeding pages, MTI invested nearly \$6.89 million in 140 innovative projects across Maine through its suite of funding programs (Matched by \$13 million). Additionally, it administered three momentous bond-funded projects totaling \$20 million (Matched by \$25.7 million) for state-awarded research infrastructure improvements at the Jackson Laboratory, Mount Desert Island Biological Laboratory, and in Maine's marine economy.

Additionally, MTI completed its 2017 Strategic Plan after a thorough and inclusive 15-month process. We also provided leadership and support to the Maine Innovation Economy Advisory Board (MIEAB), to help develop and publish the 2017 Maine Innovation Economy Action Plan. We collaborated with numerous partners and stakeholder organizations to deliver programming and services to Maine entrepreneurs and businesses, and worked with media partners like Maine Startups Insider to generate fascinating stories about founders of MTI companies.

The annual report also cites a compelling example of what is arguably MTI's most successful investment, our early work with Vets First Choice in Portland that has helped create hundreds of jobs. The Vets First Choice example is emblematic of MTI's mission and purpose as the company shared its success with Maine taxpayers by not only creating jobs and generating tax revenue but by providing repayment and investment return that can be used to support other innovative companies looking to launch or grow in Maine.

Finally, as President of MTI, I am given a forum to talk each month about Maine's innovation economy and the tremendous work of our MTI portfolio companies. This forum takes the form of a monthly blog that I write and that goes out as part of MTI's monthly newsletter and is posted on MTI's website. Check it out here: <https://www.mainetechnology.org/blog/> Please enjoy this year's MTI Annual Report.

Sincerely,

A stylized, handwritten signature in blue ink, appearing to read 'Brian Whitney'.

Brian Whitney



MAINE TECHNOLOGY INSTITUTE YEAR IN REVIEW

Mainers have always been inventive, clever, resourceful, and creative. We even have a name for it: Yankee ingenuity. Without question, Maine workers and entrepreneurs enjoy a well-earned reputation for originality, and possess an unrivaled and legendary work-ethic. Since 1999, MTI has funded innovations developed by Maine inventors in garages all the way up to large public companies, world renowned research organizations, and academic institutions. We have funded diverse projects leading to innovations in gene sequencing and ocean microbial systems, guitar and surf board manufacturing, vodka from Maine potatoes, algae cultivation and eel aquaculture, to name but a few.

MTI's programs help innovators accelerate progress to the market, help leverage additional private and public investment, help create quality jobs in Maine, and ultimately, have a positive economic impact across all of Maine. Since its inception, MTI has provided careful stewardship and investment of over \$200 million in public funds across more than 2,000 projects throughout Maine that helped leverage over \$900 million in private sector co-investment.

MTI is critical to the state's economic development strategy and a significant driver in the long-term expansion of research and development assets resulting in the creation of new ventures. *In fiscal year 2017, MTI invested nearly \$6.89 million in 140 innovative projects across Maine through its suite of funding programs (Matched by \$13 million). Additionally, it administered three momentous bond-funded projects totaling \$20 million (Matched by \$25.7 million) for state-awarded research infrastructure improvements at the Jackson Laboratory, Mount Desert Island Biological Laboratory, and in Maine's marine economy.*

MTI Strategic Plan – In 2016, MTI embarked on a 15-month process to develop a new strategic plan to replace the Strategic Plan issued in 2010: seeking to clarify MTI's purpose, provide guidance for the board and staff, provide a framework for deciding new opportunities, and clarifying roles for implementation. The Strategic Planning Committee (SPC) reviewed internal data, engaged more than 120 stakeholders in its discovery process, and analyzed the collected



information. The process resulted in the 2017 MTI Strategic Plan that included three Strategic Goal Areas for the organization and the completion of a Strategy for Portfolio Investments.

Strategic Goal #1: MTI will invest for impact by using the Strategy for Portfolio Investments.

5 Key Components of the Strategy

- Overall guidance in the Strategy for Portfolio Investments.
- The stated relevance of the seven targeted technology sectors to the portfolio.
- The strategy for risk tolerance, including assessing risk.
- The strategy for diversifying MTI revenue sources.
- Aligning MTI's resources to the strategy.

Strategic Goal #2: MTI will measure and monitor impact to influence decision making and direction setting, and communicate results.

- Measure the Impact of MTI Investments
- Monitor the Health of the Innovation Ecosystem
- Measure the Performance of MTI

Strategic Goal #3: MTI will continue to be a leader in Maine's Innovation Economy and build a complementary system of supports.

Concrete examples of potential outcomes associated with the 2017 Strategic Plan include:

- *Improvements to application, review and monitoring processes that create an improved customer experience and efficiencies for innovators and staff.*
- *Shifts in programs and services that take a comprehensive approach to moving innovation to market.*
- *Improvements to the reporting and monitoring processes that offer a clear understanding of MTI's investments' geographic distribution, impact and performance.*
- *Proactive, targeted and intentional outreach to innovators and innovation ecosystem partners, creating improved access to MTI's services and investment opportunities.*

A copy of the full 2017 Strategic Plan can be found here: https://www.mainetechnology.org/wp-content/uploads/2015/05/MTI-Strategic-Plan.Final_.pdf

2017 Maine Innovation Economy Action Plan – The Maine Innovation Economy Advisory Board (MIEAB), with leadership and support from the Maine Technology Institute, developed and published the 2017 Maine Innovation Economy Action Plan (aka State Science & Technology Action Plan).

MIEAB, established in statute in 2007 to oversee the State's Plan, has compiled a three-part strategy that builds on the work of the last plan, published in 2010. The plan outlines tactics to diversify Maine's economy through investments in innovation capacity, human talent, and entrepreneurial and enterprise growth, with recommendations for public policies and resources to support the tactics. MTI was pleased to help facilitate meetings of the Maine Innovation Economy Advisory Board in the fall of 2016 and to shepherd the process of developing and finalizing the plan. It outlines the long view that public support for innovation must continue to take to transform the economy here in Maine.

The Maine Innovation Economy Advisory Board (MIEAB) was established by the 123rd Legislature (2007) to coordinate the State's research and development activities and to foster collaboration among its higher education and nonprofit research institutions and members of the business community. The Board consists of thirty-two members including thirty representatives from the industry and research communities, all appointed by the Governor, as well as two ex-officio seats for the President of the Maine Technology Institute (MTI), and the Director of the Office of Innovation.

The full report can be found at www.mainetechnology.org/mieapfull.

The Executive Summary can be found at www.mainetechnology.org/mieapexec

TechWalk 2017 – MTI's signature annual event that showcases its impressive portfolio companies, helps nurture connections, and highlights its programs, achievements and impacts, occurred on Wednesday evening, June 21, at the Westin Portland Harborview Hotel. The energy



and enthusiasm was infectious as 40 of MTI's portfolio companies exhibited and nearly 350 people attended this spirited networking function.

Maine Start-up and Create Week (MSCW) took place June 19-23 at the Maine College of Art in Portland. The 5-day event brought together inspirational speakers, featured valuable discussion panels, and integrated exhilarating and entertaining evening networking events. The Maine Technology Institute was proud to be a sponsor of MSCW and particularly enjoyed the many beneficial stories that were conveyed by Maine's dreamers, doers, and risk takers.

2017 State of the Ecosystem Event – On March 8, a 2017 State of the Ecosystem (SOE) event was held in Portland and was a celebration of all the things that are occurring in Maine's innovation and entrepreneurship ecosystem. It provided a recap and celebration of the things that happened in 2016 and offered a glimpse into the happenings for 2017. The event, hosted by Maine Accelerates Growth - - an MTI-funded initiative - - featured short presentations on different topics and offered an opportunity for attendees from organizations across Maine to connect and learn more about the work being done to expand opportunity and prosperity across Maine. Maine Accelerates Growth also released the first year of the Maine Ecosystem Metrics at the event. That document can be found here: <http://maineacceleratesgrowth.com/assets/files/MxG-Maines-Entrepreneurial-Ecosystem.pdf>

MTI Gift Guide – MTI developed and released a holiday gift guide in 2016 to reveal some of the amazing companies and diverse products that have benefitted from a collaboration with MTI, its funding programs, and assistance. The gift guide provides a glimpse into some of these innovations and exemplifies the inventiveness, cleverness, and creativity of Mainers. We hope you enjoy looking through it and we encourage you to reach out to the companies for further information about how to acquire the products. The Gift Guide can be found here: <https://www.mainetechnology.org/mti-portfolio/2016-mti-winter-gift-guide/>

Maine Startup Insider Collaboration – In January 2017, MTI entered into a sponsored content agreement with *Maine Startups Insider* (MSI), a website and weekly newsletter focused on



Maine's startup community. The goal of this online content marketing series is to share the stories of Maine entrepreneurs and, in particular, companies that have received funding from MTI. The stories can be found here: <http://mainestartupsinsider.com/category/founder-forum/>

Here's what some of the founders had to say about MTI (Excerpts courtesy of *Maine Startups Insider*):

"We've done everything you can do with MTI, from the TechStart Grant to the Seed Grant to the Development Loan. They were instrumental in helping us get this off the ground, both from a financial perspective and in helping nurture and cultivate a more coherent idea. The rigor of going through the application process really does force you to confront and articulate what you're attempting to do." Justin Jaffe, Rapport

"The Maine Technology Institute has been incredibly helpful to Pika, and in fact were a big part of why we felt comfortable building the company here in Maine . . ." Ben Polito, Pika Energy

"MTI was an important partner in helping us fund the beginning of this. And having intermediary funds between the bank and the equity that MTI represents, especially when the banks aren't really ready to take a chance with you, was absolutely critical in helping us get the momentum we needed to be successful." Clayton Kyle, Clynk

"It was great going through the process of applying for a Development Loan through MTI. It is an excellent exercise. You should almost do it just because it forces you to put down your assumptions and your ideas and thoughts and map them out." Joel Alex, Blue Ox Malthouse

"In April of 2011 we moved to Maine from New Hampshire because we had successfully been awarded a development loan from MTI to build our first digital marketing platform. And, go figure, they wanted us to move to Maine to get that money. Maine has been good to us. We came here, we hired people, we got support. There's a great ecosystem here for entrepreneurs." Rick Sales, Abierto Networks

ORGANIZATION

The Maine Technology Institute (MTI) leads the development of a strong culture of innovation in the State of Maine and is well-positioned for continued growth and effectiveness. It is organized as a nonprofit corporation, consistent with the provisions of the Federal Internal Revenue Code. By-laws were drafted and corporation documents filed in September of 1999. A Board of Directors consisting of thirteen voting members and two non-voting members governs MTI. The Governor appoints ten directors, eight representing the targeted technologies and two of whom have demonstrated finance, lending or venture capital experience. The Commissioner of the Maine Department of Economic and Community Development, the Chancellor of the University of Maine System, the President of the Maine Community College System and the Director of the Office of Policy and Management, or their designees, are ex-officio members. The MTI President is a non-voting director. Seven subsidiary boards, each representing a targeted technology sector, were formed to support the MTI Board. Approximately 100 subject matter experts comprise the membership of these Tech Boards.

MTI operates from its office in Brunswick. Its staff, pictured below, is composed of a director of investment operations, a director of innovation infrastructure, a director of business development, a director of finance and administration, three investment officers, two lending and grant associates, and a web communications manager. The MTI President is employed by the Maine Department of Economic and Community Development.



MTI FUNDING PROGRAMS

MTI makes direct investments in ventures pursuing promising technologies, providing targeted commercialization assistance to Maine companies and strengthening Maine's technology clusters. MTI's investments focus on the sectors of Aquaculture & Marine Technology; Biotechnology; Composites & Advanced Materials; Environmental Technologies; Forest Products & Agriculture; Information Technology; and Precision Manufacturing.

Over the past 17 years, the Maine Technology Institute has funded innovations developed by Maine inventors in garages all the way up to large public companies, world renowned research organizations, and academic institutions. It has funded diverse projects leading to innovations in gene sequencing and ocean microbial systems, guitar and surf board manufacturing, vodka from Maine potatoes, algae cultivation and eel aquaculture, to name but a few

Funding from MTI signals a critical validation or endorsement of an idea, product or service. The MTI application process requires a disciplined approach demanding that the entrepreneur attempt to define a business model and build a business case for his or her idea, product or service. That validation helps lend credibility and better positions the product or process for success in the marketplace and with investors and traditional lenders.

MTI works with organizations and individuals focused on expanding the state's entrepreneurial ecosystem to stimulate new venture formation. Regarded as the leader and dominant player in this effort, MTI programs require at least a 1:1 matching contribution from award recipients. MTI award programs are based on scientific or technical merit, commercial feasibility and economic impact potential to the state.

Descriptions and summaries of the award programs, follow on the succeeding pages.

TECHSTART GRANTS are available to entrepreneurs and companies across Maine who are seeking to develop their inventive ideas into new, innovative products or services. Grants are awarded monthly and may be used to support specific activities such as business plan development, intellectual property filings, market analysis, or technology transfer activities out of research institutions. **In fiscal year 2017, MTI approved 38 TechStart Grant awards, representing \$169,000 (matched by \$260,000).**

PHASE 0 KICKSTARTER GRANTS are offered to individuals and companies seeking to submit federal small business innovation research and small business technical transfer (SBIR/STTR) Phase I proposals to one of the eleven government agencies participating in the SBIR/STTR program. Awards of up to \$5,000 are offered to foster and support competitive federal proposal submissions from Maine applicants. Funds can be used for external direct costs associated with preparing an SBIR/STTR proposal, such as hiring grant writers, subject matter experts, other consultants or purchasing market research reports needed to inform a proposal. **In fiscal year 2017, MTI awarded 14 Phase Zero Grants for \$66,000 (matched by over \$72,000).**

SEED GRANTS are offered three times a year to support the conversion of innovative research into new products, processes, and companies. Funded activities may include proof of concept work, prototype development, field trials, prototype testing, pilot studies, or technology transfer activities. MTI offers Seed Grants as direct investments in companies that are pioneering Maine's future through their technology innovations. **In fiscal year 2017, MTI approved 56 Seed Grant awards, representing \$1.2 million (matched by over \$1.75 million).**

DEVELOPMENT LOANS are competitive awards of up to \$500,000 per project and are awarded three times per year to support the conversion of innovative research into new products, processes and companies. **In fiscal year 2017, MTI funded 8 Development Loans for \$2 million (matched by \$3.2 million).**



The **EQUITY CAPITAL FUND** provides investment capital to companies that have received Development Awards or Loans to help them leverage venture funds and individual equity investor capital. **In fiscal year 2017, MTI made one equity investment of \$50,000, on the same terms as lead venture capital funds and individual investors.**

ACCELERATOR GRANTS are available to start-up/early stage companies that have been awarded MTI Development Loans (DLs) and to companies that have recently been chosen for a federal Small Business Innovation Research /Small Business Technology Transfer (SBIR/STTR) Phase I or Phase II grant and/or a Broad Agency Announcement (BAA) award. Funds are to be used to advance the new technology to market and to firmly establish or increase the scope and sustainability of the business enterprise. **In fiscal year 2017, MTI awarded 13 Accelerator Grants for \$283,000 (matched by \$2.15 million).**

CLUSTER INITIATIVE PROGRAM awards are competitive grants aimed to accelerate the strength and scale of Maine's high-potential technology intensive clusters. Clusters are concentrations of companies and other organizations that serve similar customers or business interests and draw on similar knowledge and workforce skills in the development of innovative products and services. The Cluster Initiative Program supports the success of Maine businesses through joint work of companies, service providers, research laboratories and educational institutions by funding infrastructure or common programs that help them collectively to be more competitive, develop new products and services and reach new markets. The Cluster Initiative Program has made more than 100 awards totaling more than \$19 million helping to create or support a number of vibrant industry organizations and programs that are critical to Maine's growing technology-based industries. **In fiscal year 2017, MTI approved 7 Cluster Initiative Program awards for approximately \$2.1 million (matched by \$3.5 million).**

BOND FUNDED PROGRAM ACTIVITIES

From time to time, the Maine Legislature passes research and development bond initiatives that are presented to Maine voters for approval. In most cases, once the bond issues are approved by voters, MTI is asked to administer the funds on behalf of the State of Maine. The following bond initiatives are currently under active management by MTI.

MTI administers the **MAINE TECHNOLOGY ASSET FUND**, a competitive bond-funded program providing investments for facilities construction, renovation, and equipment. The investments help advance emerging technologies on the path to commercialization and help Maine companies, university centers and non-profit research institutions secure further investment.

The Maine Technology Asset Fund was first approved by the Maine Legislature and the state's voters in 2007 and was capitalized with \$50 million in bond funding focused on increasing research and development (R&D) facilities and resources in our state's seven targeted technology sectors. These monies were mostly expended in funding rounds in 2008, 2009 and 2010. The Legislature and voters approved an additional MTAF funding bill in the amount of \$3 million in 2009. Those funds, including approximately \$900,000 not awarded from earlier rounds and augmented by another \$921,871 in MTI funding, provided the source of funding for a 4th MTAF round. *As a result, in fiscal year 2015, MTI issued a request for proposals, received 21 applications and approved 8 awards for approximately \$4.9 million (matched by \$12 million). While the funding awards were made in FY15, the projects are still under active MTI management.*

Maine Cancer and Aging Research Bond: In 2014, the Legislature authorized (Public Law 2014, Chapter 574), and the voters of the State of Maine approved, \$10 million in bond funds to build a research center, to discover genetic solutions for cancer and the diseases of aging, and to promote job growth and private sector investment in Maine. The funds were awarded through a competitive state process to expand the state's research capabilities in the areas of mammalian genetics and murine biometric analytics, make the state a global resource for precision medicine,

improve the state's capacity to attract and retain young professionals, and bring additional grant funding, private sector investment, job growth, and economic activity to the state. **In July of 2015 (FY16), the Jackson Laboratory in Bar Harbor was announced as the highest scoring bidder and will match its \$10 million award with at least \$11 million in matching funds.**

Maine Biomedical Research Bond: Also in 2014, the Legislature authorized (Public Law 2014, Chapter 568), and the voters of the State of Maine approved, a \$3,000,000 bond issue to promote biomedical research at a Maine laboratory specializing in tissue repair and regeneration. The funds were awarded through a competitive process to modernize and expand infrastructure in a biological laboratory specializing in tissue repair and regeneration, in order to increase biotechnology workforce training, retain and recruit to the state multiple biomedical research and development groups and create a drug discovery and development facility that will improve human health and stimulate biotechnology job growth and economic activity. **In July of 2015 (FY16), the Mount Desert Island Biological Laboratory was announced as the highest scoring bidder and will match its \$3 million award with at least \$5.7 million in matching funds.**

Maine Marine Economy Bond: Finally, also in 2014, the Legislature authorized ((Public Law 2014, Chapter 592), and the voters of the State of Maine approved, a \$7,000,000 bond issue to facilitate the growth of marine businesses and commercial enterprises that create jobs and improve the sustainability of the State's marine economy and related industries through capital investments. **In May 2016, the newly formed Alliance for Maine's Marine Economy, a consortium of Maine-based marine businesses, research institutions and educational organizations, was selected by the State of Maine as the recipient of the \$7 million in funding and pledged to provide \$9.3 million in matching funds. The Alliance's plan, spearheaded by the University of Maine, calls for immediate infrastructure investments in public and private institutions throughout Maine.**

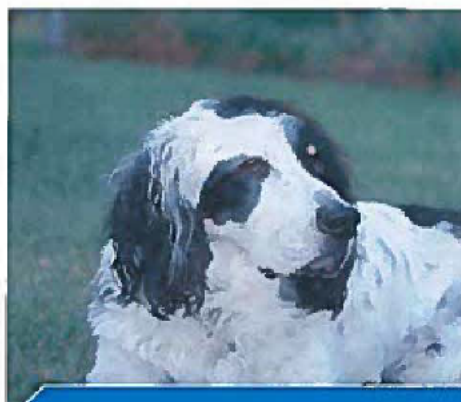
MTI SUCCESS STORY

**vetsfirst
choice**



AMERICA'S
**FASTEST
GROWING
PRIVATE
COMPANIES**

Vets First Choice more than doubled in size last year. When the company approached MTI in 2009, it was a startup entity with two founders as employees. MTI provided early-stage funding and a critical validation of their innovative solution for veterinarians.



800 employees
200 more this
year
6X investment
return for MTI

Raised \$223M in
new investment
in 2017 to fuel its
continued growth
and expansion

"The single largest round of venture
funding for a technology company
the state has ever seen."

Mainestartupsinsider.com

Inc. magazine's list of the
5,000 fastest-growing
companies 2012 - 2017

"The funding MTI provided helped us test our value proposition, technology systems and commercialization plans," said company CEO, Ben Shaw. "MTI played a key role in our company's growth and its funding has led to hundreds of jobs and significant economic impact in Maine."

True to MTI's model, the company shared its success with Maine taxpayers by not only creating jobs and generating tax revenue but by providing repayment and investment return to MTI that can be used to help support other innovative companies looking to launch and grow in Maine.

OTHER MTI PROGRAMS OF ASSISTANCE

MTI employs an **E-Residence program** to provide portfolio firms with direct access to experienced entrepreneurs who have taken big risks, founded companies, raised capital, and created jobs. One of the most powerful tools one can provide to start-ups or less experienced teams is access to network contacts and mentors to offer advice and support from experienced entrepreneurs. MTI's E-Residence (EIR) program is intended, like other MTI programs, to improve the competitive position of Maine's technology-intensive sectors and ultimately lead to business growth and jobs for Maine people.

The **SBIR/STTR Technical Assistance Program** fulfills MTI's statutory mandate that it operate a program that provides technical assistance to Maine small businesses to help them develop competitive small business innovation research (SBIR) and small business technical transfer (STTR) proposals for submission to federal agencies participating in the SBIR/STTR programs. MTI provides advice on how best to fashion a competitive application for the estimated \$2.5 billion that is available each year from the eleven federal agencies that participate in the SBIR/ STTR programs. Maine businesses receive approximately \$5 - \$6 million in total SBIR/STTR awards annually. The size of the individual federal grants can range from under \$100,000 to \$1 million.

PARTNERSHIPS TO PROMOTE MAINE'S INNOVATION ECONOMY

In addition to its funding programs, MTI also helps *connect* and *grow* companies through investments in Maine's innovation ecosystem. Under its governing statute, MTI is instructed to cooperate with the **Maine Department of Economic & Community Development (DECD)**, **Manufacturing Extension Partnership (MEP)**, **University of Maine (UMaine)**, and others to ensure a complementary system of support services is available to companies and research laboratories.

To foster this complementary system of support services, MTI works collaboratively with organizations across Maine to support programs and initiatives designed to assist entrepreneurs



and small businesses and to promote and celebrate Maine's culture of ingenuity and its vibrant start-up community. Examples of collaborations include:

Maine Accelerates Growth (MxG) - Maine Accelerates Growth accelerates the growth of companies, communities, and talent by funding, creating, and leveraging high impact entrepreneurship and innovation programs and events through a collaborative and complementary network of organizations and individuals propelling prosperity across Maine. Recognizing that it takes an amazing amount of work, skilled employees, training, education, capital and, sometimes, luck to build a company that makes a positive contribution to its stakeholders and the economy, MTI seeded this effort with a \$200,000 challenge grant, matching contributions to MxG on a one-to-one basis.

Maine Accelerates Growth has created events and programs to grow Maine's innovation community and has been supported all over our State, with thousands of people participating in those events and programs.

Here are just some of the programs, events and organizations that have received support:

- *Our Katahdin (Millinocket & Medway)*
- *Engine Biddeford (Biddeford)*
- *Big Gig (Orono & Bangor)*
- *Maine Startup and Create Week*
- *Midcoast Magnet (Rockland)*
- *Top Gun (Lewiston-Auburn, Bangor, Midcoast and Portland)*
- *Maine Wood Innovator's Conference (Hiram)*
- *Greenlight Maine*
- *Maine House of Genius*
- *Innovate for Maine Fellows Internship Program*
- *TedxDirigo*

To learn more about Maine Accelerates Growth, please visit its [website](http://www.maineacceleratesgrowth.com) (www.maineacceleratesgrowth.com).



ACTIVE MTI COLLABORATIONS, AFFILIATIONS AND PARTNERSHIPS



www.maine.edu



www.maine.gov/decd



www.mainemep.org



MAINE INTERNATIONAL TRADE CENTER
Global Resources. Local Expertise.

www.mitc.com



www.mainesbdc.org



Maine Center for
Entrepreneurial Development

www.mced.biz



www.maineangels.org



Maine Venture Fund

www.maineventurefund.org



Maine

www.scoremaine.org



www.e2tech.org





www.famemaine.com



www.ceimaine.org



www.mainestartupandcreateweek.com



www.mainesbdc.org



www.mdf.org



Maine Accelerates Growth

www.maineacceleratesgrowth.com



www.maineeco.org



www.mainecf.org



LOOKING AHEAD

In the coming year, MTI anticipates playing a leading role in many noteworthy innovation and research and development initiatives.

Research & Development Bond: The 127th Maine Legislature enacted, and the Governor signed, a \$50 million bond measure to “Stimulate Investment in Innovation by Maine Businesses to Produce Nationally and Globally Competitive Products and Services (Public Law 2016, Chapter 479). The bond question was approved by Maine voters in June of 2017. The Maine Technology Institute will administer “\$45,000,000 for investment in research, development and commercialization in the State to be used for infrastructure, equipment and technology upgrades that enable organizations to gain and hold market share, to increase revenues and to expand employment or preserve jobs for Maine people, to be awarded through a competitive process to Maine-based public and private entities, leveraging other funds in a one-to-one ratio.” The remaining \$5,000,000 will flow to the Maine Venture Fund to invest in small businesses with the potential for significant growth and strong job creation.” **MTI will work to establish funding guidelines, solicit proposals and disburse funds to worthy projects in the fall of 2017 and spring of 2018.**

Implementation of MTI's Strategic Plan: The organization will continue its efforts to operationalize its strategic plan.

Science & Technology Action Plan: MTI will continue to work with the Maine Innovation Economy Advisory Board (MIEAB) to provide annual updates of the progress associated with the 2017 Maine Innovation Action Plan. The annual updates will assess how much progress has been made against the clear goals and tactics that were included in the action plan that were designed to grow and sustain a diversified, vibrant and resilient innovation economy that leads to prosperity for Maine and its people.

MTI's commitment to serving the myriad innovation needs of Maine businesses and entrepreneurs continues to be incredibly strong. Looking ahead, we anticipate that MTI will continue to be a nimble and leading-edge organization that is known throughout Maine as the driving force behind our state's thriving private-sector innovation economy. MTI is pleased to play a pivotal role in helping to bolster and support Maine's innovation economy and looks forward to building on past commitments and launching new initiatives to help build a more robust economic climate across the State of Maine.





FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

June 30, 2017 and 2016

With Independent Auditor's Report

MAINE TECHNOLOGY INSTITUTE
Financial Statements
Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Maine Technology Institute

We have audited the accompanying financial statements of the business-type activities and the fiduciary funds of Maine Technology Institute (the Institute) (a component unit of the State of Maine), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Institute'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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and fiduciary fund information of Maine Technology Institute as of June 30, 2017 and 2016, and the changes in its net position of business-type activities and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of a Matter

As described in Note 1, the accompanying 2016 financial statements have been restated to separately report the cash and cash equivalents and refundable advances of Maine Technology Institute's two fiduciary fund accounts. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on Pages 3 through 9 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 U.S. generally accepted auditing standards, 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 on or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
October 10, 2017

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

As management of the Maine Technology Institute (the "Institute" or "MTI"), we offer readers of these financial statements this narrative, overview, and analysis of the financial activities of the Institute for the fiscal years ended June 30, 2017 and 2016 ("FY2017 and FY2016" or "Fiscal 2017 and Fiscal 2016"). We encourage readers to consider the information presented here together with the basic financial statements as a whole.

Financial Highlights

- MTI received \$6,612,756 and \$6,727,452 in FY's 2017 and 2016, respectively, from a State appropriation through the Department of Economic and Community Development ("DECD") for general programs. During FY2017, bond funds in the amount of \$2,825,000 for the Maine Human Health Research Bond Fund and \$7,000,000 for the Maine Marine Economy and Jobs Bond Fund were received. Bond funds in the amount of \$10,000,000 for the Maine Biomedical Research Bond Fund and \$175,000 for the Maine Human Health Research Bond Fund were received during FY2016.
- During FY2017 and FY2016, MTI's funding was curtailed by \$1.5 million each year due to State budget constraints, and the amounts were returned during May 2017 and June 2016, respectively.
- In FY2017, MTI approved funding for 140 projects totaling almost \$6.9 million, compared to 150 projects totaling just under \$7.5 million in FY2016 and 130 projects totaling \$8.3 million in FY2015. FY2017's \$600,000 decrease included decreases of nearly \$2.1 million in Development Loan awards, \$173,000 in Seed Grants, \$129,000 in Business Accelerator Grants, \$125,000 in Equity funding, offset by increases of \$22,000 in TechStart Grants and Phase Zero awards, \$950,000 in bridge funding and \$948,000 in CIP awards. No awards were made under the MTAF program during FY2017 and FY2016. MTAF funds in the amount of \$4.85 million were awarded in FY2015. During FY2017, MTI began management of the Maine Marine Economy and Jobs Bond Fund for \$7 million. During FY2016, MTI began management of both the Maine Human Health Research Fund and the Maine Biomedical Research Fund, at \$2.825 million and \$10 million, respectively.
- MTI expended \$7.8 million in FY2017 according to agreed-upon project award milestones, compared to \$7.8 million and \$10 million during FY2016 and FY2015, respectively. During FY2017, Development Loan disbursements fell \$520,000, CIP payments fell \$595,000, and Seed Grant payments rose \$480,000. Equity payments decreased \$125,000 due to fewer Equity opportunities. Bridge funding of \$700,000 was awarded. MTAF payments increased \$110,000 as awards closed before the last funding round. The TechStart, Phase Zero, and Business Accelerator programs combine to account for a \$5,000 decrease. Payments for the Maine Human Health Research Fund, Maine Biomedical Research Fund, and the Maine Marine Economy and Jobs Bond Fund were \$10 million in FY2017 and \$1.9 million in FY2016. FY2016 was the first year the Maine Human Health Research Fund and Maine Biomedical Research Fund issued payments. FY2017 was the first year the Maine Marine Economy and Jobs Bond Fund issued payments.
- MTI's outstanding commitments for its core awards amount to \$5.6 million, including approximately \$1.1 million in approved awards with unexecuted contracts as of June 30, 2017. At the close of FY2016, these values were \$6.2 million and \$3 million, respectively. MTAF outstanding commitments total \$2.3 million at June 30, 2017, a \$2 million decrease from \$4.3 million at FY2016. There were no unexecuted contracts for MTAF at the end of FY2017 or FY2016. Outstanding commitments for the Maine Biomedical Research Fund at June 30, 2017 and June 30, 2016 were \$173,000 and \$2.8 million, respectively. For the Maine Human Health Research Fund at June 30, 2017 and June 30, 2016,

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

outstanding commitments were \$1,070,000 and \$8.4 million, respectively. For the Maine Marine Economy and Jobs Bond Fund outstanding commitments as of June 30, 2017 were \$4,916,000.

- MTI received \$1,028,000 in Development Award repayments during FY2017, compared to \$844,000 and \$249,000 in FY's 2016 and 2015, respectively.
- Interest realized totaled \$448,000 in FY2017, an increase of approximately \$56,000 compared to the previous year, due to both favorable interest rates and an increase in payments from program loans. For FY2016, \$392,000 was received, an increase of \$79,000 over FY2015 due to both favorable interest rates and an increase in payments from program loans.
- The bonds that created MTAF, which MTI was directed to administer by the Legislature, were approved by Maine voters in November 2007 and June 2010. In FY's 2008 and 2009, MTI received General Funds to cover ongoing monitoring and administration costs of this fund. During FY2012, \$80,057 was expended on MTAF operating costs, including a \$7,289 administration fee to MTI. These costs were funded by the residual General Fund appropriation of \$46,453 and the remaining \$33,604 was paid by MTI out of accumulated net position. Operating costs declined 51% to \$38,922 during FY2013 and a further 54% to \$18,093 during FY2014, all of which was paid by MTI out of accumulated net position. FY2015 MTAF operating costs, also paid out of net position, were \$105,000 due to the final round of MTAF funding. FY2016 MTAF operating costs were \$23,700 and paid out of net position. FY2017 MTAF operating costs were \$8,872 and paid out of net position once again.
- The bonds that created the Maine Biomedical Research Fund, the Maine Human Health Research Fund, and the Maine Marine Economy and Jobs Bond Fund, which MTI was directed to administer, were approved by Maine voters in November 2014. No administration costs were approved with these bond funds, and so operating costs for these funds will be paid out of net position.
- MTI played a leading role in obtaining a \$3.0 million, three-year grant from the Blackstone Charitable Foundation, early in FY2012. The initiative was designed to stimulate the creation of a strong culture of innovation in Maine that will accelerate more jobs in high-growth firms. Among its responsibilities, MTI has served as the fiduciary agent for the Blackstone Accelerates Growth initiative and recorded \$313,000 and \$896,000 in grant income and matching special grant expense during FY2016 and FY2015, respectively.
- Following the completion of the Blackstone program, MTI developed and promoted the Maine Accelerates Growth Initiative. This initiative accelerates the growth of companies, communities, and talent by funding, creating, and leveraging high impact entrepreneurship and innovation programs and events through a collaborative and complementary network of organizations and individuals propelling prosperity across Maine. Expenses for this program were \$97,000 for FY2017.
- FY2017 administrative and operating costs were \$1.5 million, an increase of \$160,000 (12%) from FY2016. FY2016 administrative and operating costs were \$1.34 million, an increase of \$38,000 (2.9%) from the previous year. Notable cost increases occurred in personnel (increased staffing during FY2017), and outreach/marketing; the most notable decrease is found in consulting fees. FY2015 administrative and operating costs were \$1.31 million, a decrease of \$50,000 (3.7%) from the previous year. Cost increases occurred in personnel (principally due to lower staff vacancies), communications/technology, and technology upgrades (transition to new grants management software). Those increases were offset by decreases in marketing, travel, and fees. These

MAINE TECHNOLOGY INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

commitments, in addition to those of the prior year, helped drive the significant increase in awards discussed above.

- During FY2017, MTI continued its Entrepreneur-In-Residence program. The program consists of five consultants who are assigned to assist MTI-funded companies and their personnel on a variety of projects of particular significance to the recipients. Expenditures amounted to \$167,000 and \$209,000 for FY2017 and FY2016, respectively, and were paid through program funding. This program offers services to assist recipients in developing marketing channels and resources, identifying sources for growth funding, developing internet marketing strategies, and solving production planning or process concerns, among other needs. MTI believes that expanding its resources beyond funding meets other critical client needs in the areas of growth planning and management and developing connections to required resources.
- We believe the operating procedures and policies of MTI demonstrate a record of outstanding stewardship of the public funds entrusted to it for investment in ventures pursuing the creation of technology-based economic development.
- FY 2017's surplus resulted in an increase in net assets of \$74,000, compared to an increase in net assets of \$148,000 for FY2016 and \$10,000 for FY2015.

Overview of the Institute

MTI was created by the Maine legislature in 1999 to "encourage, promote, stimulate and support research and development activity leading to the commercialization of new products and services in the State's technology-intensive industrial sectors..." (5 MRSA, CH. 407). MTI is funded primarily by the State from a direct appropriation that is granted to MTI from the DECD. To maximize the benefits of a public-private partnership, MTI is a private, nonprofit 501(c)(3) organization governed by a Governor-appointed, private-sector led, Board of Directors. The Director of the Institute is appointed by the Governor, is an employee of the DECD, and is President of the Institute as elected by the Board of Directors.

The Institute has functioned with a staff of eleven full-time equivalent employees who report to the Director, an increase of one and one-half full-time employees since its previous high in February 2009. MTI is limited by statute to using only up to 10% of its State appropriation for administration, with the exception of the funds that MTI received to administer MTAf. There are no statutory restrictions on the use of other income which the Institute may receive.

Overview of the Financial Statements

This discussion is intended to serve as an introduction to the Institute's financial statements, which include the basic financial statements and the notes to the financial statements.

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Institute finances, in a manner similar to a private-sector business.

The balance sheets present information on the Institute's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Institute is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities result in increased net position, which may indicate an improved financial position.

The statements of revenues, expenses and changes in net position present information showing how the Institute's net position changed during the fiscal year. Changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

The statements of cash flows present information related to cash inflows and outflows summarized by operating and capital financing activities, and help measure the ability to meet financial obligations as they mature.

The statements of fiduciary net position present the assets and liabilities of the agency funds held for the benefit of other entities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis: 2017 Compared to 2016 and 2015

Net position may serve, over time, as a useful indicator of the Institute's financial position. In the case of the Institute, its assets exceed liabilities by \$1,100,957 on June 30, 2017, compared with \$1,026,540 in 2016 and \$878,194 in 2015.

MAINE TECHNOLOGY INSTITUTE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

The Institute's financial position as of, and operations for, fiscal years 2017, 2016, and 2015 are summarized below based on information included in the financial statements.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 25,562,466	\$ 21,638,369	\$25,164,243
Loans and investments (net of allowances)	2,253,834	2,313,605	1,403,292
Capital assets, net of depreciation	143,258	160,156	130,550
Other assets	<u>71,080</u>	<u>64,067</u>	<u>418,496</u>
Total assets	28,030,638	24,176,197	27,116,581
Refundable advances	26,725,851	23,016,436	25,940,336
Other liabilities	<u>203,830</u>	<u>133,221</u>	<u>298,051</u>
Total liabilities	<u>26,929,681</u>	<u>23,149,657</u>	<u>26,238,387</u>
Net position, all unrestricted	\$ <u>1,100,957</u>	\$ <u>1,026,540</u>	\$ <u>878,194</u>

Cash and equivalents compose the vast majority of MTI's assets. The amount of funding received from the State as well as any funding carried over from previous years is included in this line. Some loans held by MTI were transferred from the Maine Science and Technology Foundation (no longer in existence), and terms have been renegotiated as the payments have come due. In FY2017, MTI made two Equity Capital Fund investments to companies that had previously received Development Award funding; two were made in FY2016 and three in FY2015. MTI's loan and investment portfolio increasingly comprises preferred stock units and convertible notes which, if converted, will provide MTI the opportunity to participate in any equity appreciation that will accrue to a successful enterprise. Other assets increased by \$7,000 from Fiscal 2016 to 2017 due to changes in prepaid amounts at June 30, 2017.

Refundable advances indicates all funding on hand for use in MTI programs. Funding is disbursed according to achievement of milestones by the recipients. As noted earlier, \$5.6 million and \$6.2 million were committed but not yet disbursed for MTI's core awards at the close of June 2017 and 2016, respectively. MTAF outstanding commitments total \$2.3 million and \$4.3 million at June 30, 2017 and 2016, respectively.

Other liabilities are comprised primarily of accounts and awards payable and accrued expenses which, combined, increased by \$71,000 from 2016 to 2017 and decreased \$165,000 from 2015 to 2016. A previous round of awards totaling \$4.85 million was made from MTAF funds in 2015.

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
State of Maine funding	\$ 10,227,187	\$ 9,513,722	\$ 11,389,770
Grant income – other	-	312,586	895,520
Other operating revenues	<u>268,365</u>	<u>216,931</u>	<u>82,053</u>
Total operating revenues	10,475,552	10,043,239	12,367,343
Operating expenses:			
Program grants	9,116,505	8,463,691	10,294,778
Special grants	258,439	479,836	1,069,099
Salaries and wages	788,455	727,836	593,452
Other operating expenses	<u>711,897</u>	<u>615,056</u>	<u>711,740</u>
Total operating expenses	<u>10,875,296</u>	<u>10,286,419</u>	<u>12,669,069</u>
Net operating loss	(399,744)	(243,180)	(301,726)
Nonoperating revenues, net	<u>474,161</u>	<u>391,526</u>	<u>311,819</u>
Increase in net position	<u>\$ 74,417</u>	<u>\$ 148,346</u>	<u>\$ 10,093</u>

Operating revenues – State of Maine funding reflects MTI's State appropriations and grants made. The increases in FY2017 and decreases in FY2016 reflect the change each year in awards funded.

The following table shows the relationship between the appropriation and revenues recognized:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
State appropriation received	\$ 6,612,756	\$ 6,727,452	\$ 6,729,204
Accrual basis accounting effect	<u>3,614,431</u>	<u>2,786,270</u>	<u>4,660,566</u>
Revenues recognized	<u>\$ 10,227,187</u>	<u>\$ 9,513,722</u>	<u>\$ 11,389,770</u>

The "accrual basis accounting effect" reflects appropriations received that are being deferred or recognized as revenues in periods when corresponding award payments are made, and reflects payments to the State for curtailments (Fiscal 2017 and 2016).

MTI's operating expenses (which include award disbursements and accruals) were 5.7% higher in 2017 than 2016. Program grants were 8% higher due primarily to increased bond payment activity. Special grants decreased 46% due to the end of the Blackstone Accelerates Growth three-year program. Salaries and wages were 8% higher due to full staffing for the entire fiscal year. Other operating expenses increased 16% due to increases in marketing and outreach. Operating expenses were 19% lower in 2016 than 2015. Program grants were 18% lower. Special grants decreased due to the wind-down of the Blackstone Accelerates Growth program. Salaries and wages were 23% higher due to normal inflationary increases and higher staffing levels. Other operating expenses decreased 14% due to reductions in marketing, outreach, and fees.

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

Looking Ahead

In 2016, MTI embarked on a 15-month process to develop a new strategic plan to replace the Strategic Plan issued in 2010: seeking to clarify MTI's purpose, provide guidance for the board and staff, provide a framework for deciding new opportunities, and clarifying roles for implementation. The Strategic Planning Committee reviewed internal data, engaged more than 120 stakeholders in its discovery process, and analyzed the collected information. The process resulted in three Strategic Goal Areas, and the completion of a Strategy for Portfolio Investments.

Strategic Goal #1: MTI will invest for impact by using the Strategy for Portfolio Investments.

5 Key Components of the Strategy:

- Overall guidance for the Strategy of Portfolio Investments.
- The stated relevance of the seven targeted technology sectors to the portfolio.
- The strategy for risk tolerance, including assessing risk.
- The strategy for diversifying MTI revenue sources.
- Aligning MTI's resources to the strategy.

Strategic Goal #2: MTI will measure and monitor impact to influence decision making and direction setting, and communicate results.

- Measure the impact of MTI investments.
- Monitor the Health of the Innovation Ecosystem.
- Measure the performance of MTI.

Strategic Goal #3: MTI will continue to be a leader in Maine's Innovation Economy and build a complementary system of supports.

- Through engaging, convening, and supporting public-private partnerships,
- By identifying gaps in the innovation ecosystem, and
- Shaping innovation ecosystem alignment.

This Strategic Plan was approved by the Board of Directors in June 2017 and is currently being implemented.

Following voter approval of the research and development bond referendum in June 2017, MTI is responsible for managing the distribution of Maine Technology Asset Fund 2.0 funds to Maine organizations looking to make investments in research, development and commercialization equipment, infrastructure and technology upgrades to drive innovation and produce nationally and globally competitive products and services in Maine. Applicants must demonstrate how the bond funds will leverage private or federal matching investments to the greatest possible extent and for the greatest possible economic impact. They need to clearly and effectively explain how the funds will help them gain and hold market share, increase revenues, and grow or retain jobs for Maine people. The program will use a competitive and transparent process, guided by program design and principles established by MTI's Board of Directors. As with other State bond funds, awards must be used for capital and infrastructure expenditures, such as equipment and facilities renovation.

MTI will launch this program in the first and second quarter of FY18, making awards in at least two funding rounds.

Request for Information

This financial report is designed to provide a general overview of the Institute's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to MTI's President.

MAINE TECHNOLOGY INSTITUTE

Balance Sheets

June 30, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents (Note 2)	\$ 25,562,466	\$ 21,638,369
Other receivables	3,604	6,224
Prepaid expenses	67,476	57,843
Loans receivable - current, net of allowance for losses of \$769,971 in 2017 and \$195,000 in 2016 (Note 3)	<u>219,580</u>	<u>115,400</u>
Total current assets	<u>25,853,126</u>	<u>21,817,836</u>
Property and equipment, at cost (Note 6)		
Leasehold improvements	20,568	13,204
Equipment	143,944	133,290
Computer software	<u>234,662</u>	<u>234,662</u>
	399,174	381,156
Less accumulated depreciation	<u>(255,916)</u>	<u>(221,000)</u>
Net property and equipment	<u>143,258</u>	<u>160,156</u>
Loans receivable and investments, excluding current portion (Note 3)	<u>2,034,254</u>	<u>2,198,205</u>
Total assets	<u>\$ 28,030,638</u>	<u>\$ 24,176,197</u>

LIABILITIES AND NET POSITION

Current liabilities		
Accounts and awards payable and accrued expenses (Note 7)	\$ 191,596	\$ 117,389
Current portion of obligations under capital lease (Note 6)	4,098	3,598
Refundable advances	<u>26,725,851</u>	<u>23,016,436</u>
Total current liabilities	26,921,545	23,137,423
Obligations under capital lease, net of current portion (Note 6)	<u>8,136</u>	<u>12,234</u>
Total liabilities	<u>26,929,681</u>	<u>23,149,657</u>
Unrestricted net position		
Undesignated net position	57,699	(33,616)
Net investment in capital assets	143,258	160,156
Board-designated (Note 4)	<u>900,000</u>	<u>900,000</u>
Total unrestricted net position	<u>1,100,957</u>	<u>1,026,540</u>
Total liabilities and net position	<u>\$ 28,030,638</u>	<u>\$ 24,176,197</u>

The accompanying notes are an integral part of these financial statements.

MAINE TECHNOLOGY INSTITUTE

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues		
State of Maine funding		
Program grants (Note 8)	\$ 9,219,764	\$ 8,439,992
Administrative grants	823,919	907,829
Matching grants	<u>183,504</u>	<u>165,901</u>
Total State of Maine funding	10,227,187	9,513,722
Grant income - other	-	312,586
Royalties	236,886	210,887
Other income	<u>11,479</u>	<u>6,044</u>
Total operating revenues	<u>10,475,552</u>	<u>10,043,239</u>
Operating expenses (Note 5)		
Program grants (Note 7)	9,116,505	8,463,691
Special grants	258,439	479,836
Salaries and wages	788,455	727,836
Benefits and payroll taxes	260,366	232,434
Travel	25,906	20,563
Depreciation	34,916	34,122
Other (Note 6)	<u>390,709</u>	<u>327,937</u>
Total operating expenses	<u>10,875,296</u>	<u>10,286,419</u>
Net operating loss	<u>(399,744)</u>	<u>(243,180)</u>
Nonoperating revenues (expenses)		
Investment income	476,023	393,827
Interest expense (Note 5)	<u>(1,862)</u>	<u>(2,301)</u>
Nonoperating revenues, net	<u>474,161</u>	<u>391,526</u>
Increase in net position	74,417	148,346
Net position at beginning of year	<u>1,026,540</u>	<u>878,194</u>
Net position at end of year	<u>\$ 1,100,957</u>	<u>\$ 1,026,540</u>

The accompanying notes are an integral part of these financial statements.

MAINE TECHNOLOGY INSTITUTE

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
State of Maine funding	\$ 13,546,307	\$ 6,806,661
Grants received	-	312,586
Award repayments	1,022,877	476,917
Royalties received	236,886	210,887
Other receipts	11,478	6,044
Grants paid	(9,351,275)	(9,123,630)
Paid to employees, including benefits	(1,048,821)	(960,270)
Paid to vendors	<u>(375,707)</u>	<u>(525,395)</u>
Net cash provided (used) by operating activities	<u>4,041,745</u>	<u>(2,796,200)</u>
Cash flows from investing activities		
Loans funded	(700,000)	(882,400)
Loans repaid	256,996	47,750
Net investment income received	476,023	393,826
Investments funded	<u>(167,188)</u>	<u>(219,662)</u>
Net cash used by investing activities	<u>(134,169)</u>	<u>(660,486)</u>
Cash flows from capital and related financing activities		
Purchase of equipment	(18,019)	(63,727)
Lease obligation payments	(3,598)	(3,160)
Interest payments	<u>(1,862)</u>	<u>(2,301)</u>
Net cash used by capital and related financing activities	<u>(23,479)</u>	<u>(69,188)</u>
Net increase (decrease) in cash and cash equivalents	3,884,097	(3,525,874)
Cash and cash equivalents, beginning of year	<u>21,638,369</u>	<u>25,164,243</u>
Cash and cash equivalents, end of year	<u>\$ 25,522,466</u>	<u>\$ 21,638,369</u>
Reconciliation of net operating loss to net cash (used) provided by operating activities		
Net operating loss	\$ (399,744)	\$ (243,180)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities		
Depreciation	34,916	34,122
Provision for loan losses and investment impairment	669,964	144,000
Changes in operating assets and liabilities		
Grant income receivable and other receivables	2,620	345,984
Prepaid expenses	(9,633)	8,445
Accounts payable and other accrued expenses	74,207	(161,671)
Refundable advances	<u>3,709,415</u>	<u>(2,923,900)</u>
Net cash provided (used) by operating activities	<u>\$ 4,081,745</u>	<u>\$ (2,796,200)</u>

The accompanying notes are an integral part of these financial statements.

MAINE TECHNOLOGY INSTITUTE
MAINE HUMAN HEALTH RESEARCH BOND FUND

Statements of Fiduciary Net Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents (Note 2)	\$ <u>1,081,165</u>	\$ <u>8,418,219</u>
Total assets	<u>1,081,165</u>	<u>8,418,219</u>
Liabilities		
Refundable advances	<u>1,081,165</u>	<u>8,418,219</u>
Total liabilities	<u>1,081,165</u>	<u>8,418,219</u>
Net position held in fund (Note 9)	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**MAINE TECHNOLOGY INSTITUTE
MAINE BIOMEDICAL RESEARCH BOND FUND**

Statements of Fiduciary Net Position

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents (Note 2)	\$ 175,509	\$ -
Accounts receivable	<u>-</u>	<u>64,251</u>
Total assets	<u>175,509</u>	<u>64,251</u>
Liabilities		
Cash overdraft	-	64,251
Refundable advances	<u>175,509</u>	<u>-</u>
Total liabilities	<u>175,509</u>	<u>64,251</u>
Net position held in fund (Note 9)	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

Nature of Organization

Maine Technology Institute (the Institute), a nonprofit corporation which commenced operations in November 1999, was established to encourage, promote, stimulate, and support research and development activity leading to commercialization of new products and services in the State's technology intensive sectors. Businesses, non-profit organizations, academic institutions, and entrepreneurs are eligible for funding under the Institute's programs.

The programs the Institute operates are as follows:

- TechStart Grant Program – grants up to \$5,000 to support technology-based innovation, business plan development, intellectual property filings, market analysis and activities related to planning and submission of Federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) grants.
- Seed Grant Program – grants up to \$25,000 to fund small, early-stage research and development projects, and development activities leading to commercialization.
- Development Loan Program – awards ranging from \$30,000 to \$500,000 to fund new and/or enhanced technologies or tech transfer leading to market sales. If a product is successfully commercialized, the award becomes repayable.
- Business Accelerator Grants – grants to support commercialization and business development/capacity activities not eligible for SBIR or Development Loan funding, but required to advance new technology to market and to firmly establish and increase the scope and sustainability of the business enterprise.
- Equity Capital Fund – helps eligible Seed Grant, SBIR, and Development Loan recipients bridge the financing gap between product development and sales, moving them toward the market by providing equity or near-equity capital.
- SBIR Awards – help support SBIR/STTR proposal submissions and technology commercialization.
- Cluster Initiative Awards – awards up to \$50,000 for industry-driven cluster-initiative planning or feasibility activity, and up to \$500,000 to strengthen Maine's technology clusters.
- Maine Technology Asset Fund (MTAF) – funded by a \$53,000,000 bond approved by State of Maine voters; this program helps fund capital expenditures supporting research, development, and commercialization.
- Maine's Marine Economy and Jobs Bond – funded by a \$7,000,000 bond approved by State of Maine voters to facilitate the growth of marine businesses and commercial enterprises that create jobs and improve the sustainability of the State's marine economy and related industries.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

The Institute also functions as the fiscal agent for two fiduciary funds:

- **Maine Biomedical Research Bond Fund** – funded by a \$10,000,000 bond approved by State of Maine voters and awarded to Jackson Laboratories; the Institute administers this program to help expand research capabilities in the areas of mammalian genetics and murine biometric analytics, make the State a global resource for precision medicine, improve the State's capacity to attract and retain young professionals and bring additional grant funding, private sector investment, job growth, and economic activity to Maine. The activity for this fiduciary fund is not included in the entity-wide financial statements of the Institute.
- **Maine Human Health Research Bond Fund** – funded by a \$3,000,000 bond approved by State of Maine voters and awarded to MDI Biological Laboratory; the Institute administers this program to modernize and expand infrastructure in a biological laboratory specializing in tissue repair and regeneration in order to increase biotechnology workforce training, retain and recruit to the State multiple biomedical research and development groups and create a drug discovery and development facility that will improve human health and stimulate biotechnology job growth and activity. The activity for this fiduciary fund is not included in the entity-wide financial statements of the Institute.

The Institute awards funds to applicants in the State of Maine who submit proposals, which are reviewed and approved by the Institute. Grants are distributed in stages upon the successful completion of certain milestones. The Institute is governed by a voluntary statewide Board of Directors appointed by the Governor of the State of Maine.

The Institute was the program lead for the Blackstone Accelerates Growth program, a \$3 million initiative that aimed to help Maine transition to an innovative economy that supports sustained economic growth. The Institute was the fiscal agent for the program and was responsible for distributing grant funds to program partners. Amounts remaining after disbursement to program partners are used by the Institute to cover administrative expenses under the program.

The Institute is a component unit of the State of Maine for financial reporting purposes. The Institute is considered a business-type activity because of royalty payments and interest charged to award recipients.

1. Summary of Significant Accounting Policies

Basis of Presentation

The accounts of the Institute are maintained in accordance with the principles of fund accounting with the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

Reporting Entity

The financial reporting entity consists of the primary government (the Institute), its component unit, Maine Technology Holdings (MTH), the Maine Human Health Research Bond Fund, and the Maine Biomedical Research Bond Fund. Activity in the two Bond Funds is described in Note 9.

MTH is a legally separate component unit of the Institute that was formed in 2011. MTH holds an investment in a privately-held company that was granted an award from the Institute and reached successful commercialization. Because the Institute is the sole shareholder of MTH and the intent of owning MTH is to directly enhance its ability to fulfill its mission, MTH is considered a blended component unit of the Institute.

MTH's balance sheet at June 30, 2017 and 2016 is as follows:

ASSETS	
Investments	\$ <u>155,639</u>
LIABILITIES AND NET POSITION	
Due to Maine Technology Institute	\$ 662
Refundable advances	<u>150,000</u>
Total liabilities	150,662
Net position	<u>4,977</u>
	\$ <u>155,639</u>

MTH had no operating revenues or expenses in either 2017 or 2016.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

All highly liquid savings deposits and investments with maturities of three months or less when purchased are considered to be cash equivalents, except those held as fiscal agent for other entities.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

Loans Receivable and Investments

Loans receivable are reported at their outstanding unpaid principal balances adjusted for charge-offs, net of the allowance for losses. Investments are stated at their cost. These loans and investments are with closely-held small companies and there is no readily available market or fair value. When indicators of impairment of investments are noted, they are written down to fair value, if below carrying amount, via an impairment charge.

Interest and dividend income on loans and investments is recognized when received due to the uncertainty of collection.

Allowance for Loan Losses

An allowance for losses is established when it is probable that loans receivable will be uncollectible. Loans are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for losses is evaluated regularly based upon management's periodic review of the collectibility of the loans in light of the companies' current financial position situations. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Credit Risk

Financial instruments which subject the Institute to credit risk consist of cash equivalents, loans receivable, and investments. The risk with respect to cash equivalents is mitigated by the Institute's policy of investing in financial instruments with short-term maturities issued by highly-rated financial institutions. The risk with respect to loans and investments is reduced by establishing limits on the amounts loaned to, or invested in, any one company.

Property and Equipment

Property and equipment is stated at cost. The provision for depreciation is determined by straight-line and accelerated methods to amortize the cost of assets over their estimated useful lives. Expenditures for repairs and maintenance which do not extend the useful lives of the assets are charged to operations.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

Revenues

The Institute's programs are primarily funded by the State of Maine. This funding is to support operations and programs; 90% is required by legislation to support programs and 10% can be used for administration. The program support amounts received are classified as refundable advances until the related qualifying grants are made or expenses have been incurred to match other grants; the amounts used for administration of core programs are recognized as revenue upon receipt. The amounts used for administration of the MTAF are held as refundable advances until expended, as the money is required to be expended for MTAF administration only.

Certain grants awarded by the Institute have provisions requiring the recipient to make repayments to the Institute if certain conditions are met. The Institute classifies 80% of award repayments as refundable advances upon receipt; the remaining 20% are recognized as royalties revenue. When awards enter repayment status and notes receivable are signed or investments are made, the entire carrying balance of the note or investment is offset by refundable advances; when payments are received, 20% of the payments is recognized as royalties revenue.

The Institute has recognized \$151,078 and \$148,582 in 2017 and 2016, respectively, of revenue and expense for salary and benefits paid by the State of Maine Department of Economic and Community Development.

The Institute considers State of Maine funding, grant income, and royalties to be operating revenues.

Retirement Benefits

The Institute sponsors an Internal Revenue Code (the Code) Section 401(k) defined contribution plan. Under the plan, retirement benefits are provided to substantially all employees who meet certain age and service requirements. Employee contributions are limited to the maximum yearly limit as determined by the Code or 100% of the employee's compensation. The Institute contributes 5% of gross salary. Employer contributions vest 100% to the employees immediately. Retirement expense was \$32,454 and \$30,475 for the years ended June 30, 2017 and 2016, respectively.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

Risk Management

The Institute is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Income Taxes

The Institute is exempt from taxation under Code Section 501(c)(3). Only unrelated business income, defined by Section 512(a)(1) of the Code, is subject to federal income tax.

Restatement

The accompanying financial statements for 2016 have been restated to separately report the cash and cash equivalents and refundable advances of the Institute's two fiduciary funds. The Institute's total assets and total liabilities decreased by \$8,482,470 and the fiduciary funds total assets and total liabilities increased by \$8,482,470. State of Maine funding and program grants expense were both decreased by \$1,856,218. There was no impact on the 2016 change in net position.

Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the Institute has considered transactions or events occurring through October 10, 2017, which was the date that the financial statements were available to be issued.

On July 14, 2017 MTI sold 282,187 shares of Direct Vet Marketing, Inc.'s Preferred Stock for approximately \$1,700,000 and recognized a realized gain of approximately \$1,400,000.

2. Cash and Cash Equivalents

Cash and cash equivalents, for account balances over \$10,000, are invested in repurchase agreements, collateralized by securities held by the financial institution and assigned to the Institute. The Institute's cash and cash equivalent accounts had bank balances of \$25,752,716 and \$22,189,682 at June 30, 2017 and 2016, respectively. The fiduciary funds' cash and cash equivalent accounts had bank balances of \$1,249,259 and \$8,467,399 at June 30, 2017 and 2016, respectively.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

3. Loans Receivable and Investments

The Institute's loans receivable and investments consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Loans receivable	\$ 1,801,589	\$ 1,358,585
Investments in privately held companies	<u>1,222,216</u>	<u>1,150,020</u>
	3,023,805	2,508,605
Allowance for losses	<u>(769,971)</u>	<u>(195,000)</u>
	2,253,834	2,313,605
Less current portion	<u>(219,580)</u>	<u>(115,400)</u>
	<u>\$ 2,034,254</u>	<u>\$ 2,198,205</u>

Loans receivable have a variety of terms and due dates based on the structure of the agreement and are generally collateralized by the general business assets of the borrower. Interest rates on loans receivable range from 4-6%. The loans and investments are held by the Institute; thus, there is no custodial credit risk.

4. Board-Designated Net Position

The Institute's Board of Directors has designated \$900,000 of the unrestricted net position for the following three purposes:

1. One-time program investments, such as special studies and reports.
2. High-quality program award projects that would not otherwise be funded due to lack of funds (e.g., at the end of a fiscal year).
3. One-time infrastructure or capacity investments, such as data management systems.

5. Expenses

Expenses are comprised of the following:

	<u>2017</u>	<u>2016</u>
Direct program services	\$ 9,952,041	\$ 9,588,745
General and administrative, including nonoperating expense	<u>925,117</u>	<u>699,975</u>
	<u>\$ 10,877,158</u>	<u>\$ 10,288,720</u>

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

6. Leases

Operating Lease

The Institute leases office space under an operating lease with a five-year term expiring September 30, 2021. Rent expense is calculated on a square footage basis, excluding certain occupancy charges, and increases 2% each year. Rent expense under the lease was \$31,837 and \$31,661 in 2017 and 2016, respectively.

Future minimum lease payments due in the years subsequent to June 30, 2017 are as follows:

2018	\$ 38,366
2019	39,122
2020	39,906
2021	40,705
2022	<u>10,266</u>
	<u>\$ 168,365</u>

Capital Lease

In March of 2015, the Institute entered into a new capital lease commitment with an interest rate of 13.09%. The accumulated amortization for equipment under capital lease was \$14,169 and \$10,377 at June 30, 2017 and 2016, respectively. The leased assets are included on the balance sheet in equipment and amortization of the leased assets is included in depreciation expense.

Future minimum lease payments due in the years subsequent to June 30, 2017 are as follows:

2018	\$ 5,460
2019	5,460
2020	<u>3,640</u>
	14,560
Less: amount representing interest	<u>(2,326)</u>
Obligation under capital lease	12,234
Less: current portion	<u>(4,098)</u>
Obligation under capital lease, net of current portion	<u>\$ 8,136</u>

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

7. Grant Commitments

The Institute recognizes a liability and corresponding expense for awards in the amount expected to be paid when awards are approved by the Board of Directors and awardees submit required documentation and incur costs under the awards. There were no awards payable at June 30, 2017. Awards payable were \$23,669 at June 30, 2016. Conditional awards approved by the Board of Directors are recorded when the recipient organizations meet the conditions of the awards.

The Institute had commitments to fund awards at June 30, if recipients meet certain milestones, as follows:

	<u>2017</u>	<u>2016</u>
Business plan prizes	\$ 2,000	\$ 2,000
Phase Zero awards	13,000	12,000
Biomedical Research Bond	1,070,000	8,383,000
Human Health Research Bond	173,000	2,760,000
Seed grants	313,000	866,000
TechStart grants	39,000	45,000
Development awards	1,678,000	1,330,000
Cluster awards	2,288,000	1,516,000
Business Accelerator grants	97,000	117,000
MTAF awards	2,267,000	4,318,000
Marine Jobs Bond	<u>4,916,000</u>	<u>-</u>
	<u>\$ 12,856,000</u>	<u>\$ 19,349,000</u>

The Institute had approved awards to recipients pending executed award contracts at June 30 as follows:

	<u>2017</u>	<u>2016</u>
Seed grants	\$ 444,000	\$ 57,000
TechStart grants	-	4,000
Development awards	703,000	2,202,000
Business Accelerator grants	-	37,000
Bridge loans	<u>250,000</u>	<u>-</u>
	<u>\$ 1,397,000</u>	<u>\$ 2,300,000</u>

8. Maine Technology Asset Fund

In November 2007, State of Maine voters approved a \$50 million bond issue for research, development, and commercialization of projects in certain technology sectors. These funds are administered and awarded by the Institute under a program called MTAF. In June 2010, voters approved an additional \$3 million under the program. The \$3 million bond fund was received in full during fiscal year 2015.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2017 and 2016

In June 2017, State of Maine voters approved another \$50 million bond issue for research, development, and commercialization equipment, infrastructure and technology upgrades to drive innovation and produce nationally and globally competitive products and services in Maine. The Institute will launch the program (MTAF 2.0) in the first two quarters of 2018.

9. Agency Funds

Changes in assets and liabilities of the agency funds were as follows for the years ended June 30, 2017 and 2016.

MAINE HUMAN HEALTH RESEARCH BOND FUND

	<u>Cash</u>	<u>Accounts Receivable</u>	<u>Cash Overdraft</u>	<u>Refundable Advances</u>
Balances, July 1, 2015	\$ -	\$ -	\$ -	\$ -
Additions	175,000	64,251	-	-
Deductions	(175,000)	-	(64,251)	-
Change in balance	-	64,251	(64,251)	-
Balances, June 30, 2016	-	64,251	(64,251)	-
Addition	2,825,000	(64,251)	64,251	2,825,000
Deduction	(2,649,491)	-	-	(2,649,491)
Change in balance	175,509	(64,251)	64,251	175,509
Balances, June 30, 2017	<u>\$ 175,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,509</u>

MAINE BIOMEDICAL RESEARCH BOND FUND

	<u>Cash</u>	<u>Refundable Advances</u>
Balances, July 1, 2015	\$ -	\$ -
Additions	10,000,000	10,000,000
Deductions	(1,581,781)	(1,581,781)
Change in balance	8,418,219	8,418,219
Balances, June 30, 2016	8,418,219	8,418,219
Deductions	(7,337,054)	(7,337,054)
Change in balance	(7,337,054)	(7,337,054)
Balances, June 30, 2017	<u>\$ 1,081,165</u>	<u>\$ 1,081,165</u>

SUPPLEMENTARY SCHEDULE

MAINE TECHNOLOGY INSTITUTE

Statement of Activities

Year Ended June 30, 2017

		<u>Program Revenues</u>		<u>Net Expense and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Business-type activities	\$ <u>10,877,158</u>	\$ <u>236,886</u>	\$ <u>10,227,187</u>	\$ <u>(413,085)</u>
Total	\$ <u>10,877,158</u>	\$ <u>236,886</u>	\$ <u>10,227,187</u>	<u>(413,085)</u>
General revenues				
Unrestricted interest and investment earnings				476,023
Miscellaneous income				<u>11,479</u>
Total general revenues				<u>487,502</u>
Change in net position				74,417
Net position, beginning of year				<u>1,026,540</u>
Net position, end of year				\$ <u>1,100,957</u>