

# MAINE STATE LEGISLATURE

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ANNUAL REPORT 2021



HighByte provides a single platform to help manufacturers manage their automation and industrial data. MTI invested in early R&D and development of HighByte's software, and continues to partner with the company, funding new innovations and working with their board of directors. Seen here: Torey Penrod-Cambra, Co-Founder and CMO.

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# A Message from MTI's President



I am honored to present the Maine Technology Institute's fiscal year 2021 (FY21) annual report. MTI's fiscal year began on July 1, 2020, and concluded on June 30, 2021. It was another strong year of catalytic investments by MTI into Maine organizations and entrepreneurs.

As a result of loan repayments and sound investment returns, MTI was able to invest significantly more than its annual appropriation for the third straight year. In FY21, we deployed \$7.2 million in funding. Adding in the \$2.2 million we awarded as part of the Maine Technology Asset Fund 2.5 (MTAF2.5) program, we deployed over \$9.4 million in the aggregate in FY21. That is similar to the \$9.6 million that MTI invested in FY20 and the \$9.3 million invested in FY19.

For the third straight year, MTI increased the amount of private sector matching funds that were invested alongside our awards. In FY21, our investments attracted nearly \$8 in private investment for every \$1 in public funding spent.

FY21 was, of course, another year that MTI worked fervently to stabilize and grow Maine's high-growth, technology-based organizations in the face of the continuing global pandemic. Specifically, we assisted the state of Maine in administering the Maine Economic Recovery Grant Program to support Maine organizations that experienced business disruptions due to the pandemic. MTI's E-Resident team worked with the Maine Department of Economic & Community Development (DECD) to determine the eligibility of new and early-stage businesses

seeking relief funding. The evaluations included one-on-one interviews between MTI and the applicant to assess each company's situation and to address any data input issues and deficiencies. In total, MTI efficiently evaluated the eligibility of 217 new businesses and spent over 430 hours working on the program mostly in October and November, 2020. Overall, the accounts MTI approved received approximately \$7.4 million. And, based on the interviews, we know firsthand that the money was critical to the survival of many of the companies.

So, it was another busy year at MTI that builds upon a two-decade legacy of sound stewardship of the public funds entrusted to it. Created by the Legislature and Governor in 1999, MTI has now disbursed \$290 million into more than 3,000 distinct projects across the state of Maine, and that funding has leveraged well over \$1 billion in matching investments.

I want to commend MTI's talented and hard-working staff, knowledgeable contractors, experienced subject matter experts, valued partners, and its exceptional Board of Directors for demonstrating unwavering commitment to MTI and its mission over the past year.

Please enjoy this year's annual report from the Maine Technology Institute. Thank you again for all your support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Whitney'. The signature is stylized and fluid, with a large loop at the beginning and a long, sweeping tail.

Brian Whitney  
President

# Lyman-Morse Boatbuilding

INNOVATIVE BOATBUILDER PUSHES THE ENVELOPE

Multiple Awards | \$200K

**5t** overhead crane system

**50%** ergonomic improvement for workers



MTI's support of the innovation ecosystem has reinforced Maine's reputation as the home of bold thinking, dedicated craftsmen and craftswomen, and the finest quality products in the world."

Joshua Moore

Since 1978, Lyman-Morse has been designing, building and servicing the finest boats such as luxury power yachts, carbon-fiber ocean racers and cold-molded wooden sailing sloops. Drawing on Maine's long tradition of boat building, Lyman-Morse has relied on world-class craftsmen and craftswomen to design and build everything from complete boats, to a custom piece of steel hardware for an industrial client or an advanced composite architectural feature.

Supported by on-site fabrication, an advanced composites division and the latest technology, Lyman-Morse's innovation in boat building techniques has helped it stand out from other boatbuilders worldwide.

In recent years MTI's investments have helped Lyman-Morse to modernize its fabrication workshop and create more efficient work areas. With the installation of a 5-ton Somatex overhead crane system in one of the company's boatbuilding bays, Lyman-Morse is testing new techniques for the construction of wooden and wood-composite yachts. These techniques aim to improve ergonomics for workers by up to 50%, reduce waste, and increase the speed and efficiency of boatbuilding operations. MTI's support is also helping Lyman-Morse reconfigure and modernize its metal fabrication workshop, one of the company's fastest-growing business divisions.

This focus on innovation has led to additional marine projects as well as other projects that would not have been possible without the addition of this key piece of equipment.

Lyman-Morse fuses design, technology, and craftsmanship to pursue new marine and non-marine projects that push the envelope of what is possible. They share MTI's vision of innovation and the use of the latest technology and equipment to grow their business and exceed their clients' expectations.





# Maine Clean Energy Innovation Challenge

In August 2021, two innovative Maine companies in Biddeford and Wiscasset were each awarded \$250,000 through the Maine Clean Energy Innovation Challenge, a joint initiative of the Maine Technology Institute (MTI) and the Governor's Energy Office.

Announced on Earth Day 2021 by Governor Janet Mills, the Maine Clean Energy Innovation Challenge was created to support companies with products or technologies that reduce carbon emissions, increase renewable energy, and grow Maine's clean energy economy.

The two companies receiving the awards are **Farmhand Automation of Biddeford**, which is developing technology to support carbon-free farming, and **Peregrine Turbine Technologies of Wiscasset**, which is advancing renewable power storage technology.

Farmhand Automation, located in Biddeford, is developing low-cost electric farming robots to help local farmers in Maine, and across the nation, transition to a carbon free future. Its electric technology has target applications in automated crop management for healthy soils and carbon negative farming, as well as increased soil biodiversity and production output. Their autonomous platform is also designed specifically to help rural local farms scale operations to address growing food security pressures posed by climate change.

Peregrine Turbine Technologies, located in Wiscasset, is developing breakthrough turbine engine technology to store renewable power from solar and wind and make it available as power sources at any time of night or day.

Paired with Thermal Energy Storage technology developed in Australia, these engines are a more efficient and environmentally friendly storage solution than lithium-ion batteries. The company announced in July that it plans a commercial pilot of its technology at a solar field in Pittsfield in 2022.

The Innovation Challenge was the second such industry effort recently initiated by MTI. In 2019, a successful pilot program focused on the forest products industry invested \$1.5 million to advance two natural resource-based technologies in Maine.

Applications for the Clean Energy Innovation Challenge were solicited by MTI from May 14, 2021 to June 18, 2021. Responders to the challenge were expected to submit information to describe their proposed project and how it meets the challenge guidelines, history and track record, market assessment and commercial viability, value proposition, project duration and timeline, and economic impact.

Responses were evaluated for those same criteria by MTI's subject matter experts on its Environmental Technology Board and, as a condition of the awards, both recipients must demonstrate a minimum of one-to-one matching funding to the challenge grant, consistent with all MTI awards.

# bluShift Aerospace

MAKING MAINE A SPACE TRAVEL DESTINATION

Multiple Awards | \$193K

**\$69B** Estimated market for nanosatellite launches

**2** Locations in the U.S., besides Maine, where polar orbit can be reached



I'm not aware of other organizations in other states that are so open to innovation as MTI."

Sascha Deri,  
CEO

Sascha Deri was trying to get his aerospace company off the ground—literally and figuratively—but was having issues. At the time, he was based in Massachusetts and was finding it next to impossible to secure state funding or approval to test and launch his biofuel powered rockets. An official even told him, point blank, that he should relocate to California, Texas or Florida. Before ending the conversation, the official offered one last suggestion on where he may find the support he needed: Maine and, specifically, MTI.

Growing up in Maine, Sascha was searching for a reason to return. MTI's support of his innovative, biofuel rockets provided the perfect opportunity. MTI helped finance bluShift's relocation to Brunswick, along with investments in its fuel and rocket technology and invaluable guidance in navigating the federal government's funding programs.

According to Sascha, bluShift wouldn't exist without MTI, nor could they have successfully launched the world's first commercial biofuel rocket. bluShift is looking beyond their own success, however. They hope to spearhead an aerospace boom in Maine, which is advantageously positioned for polar orbit launches. And they hope the Maine students and researchers whose payloads they carry will grow their own entrepreneurial aerospace business, while also attracting others to Maine—just as bluShift was a few years ago.



## COVID-19 Update

The pandemic continues to impact the way business is conducted between MTI and its clients. While the entire MTI team continues to work remotely, the organization is experiencing little impact on its ability to manage its investment process. However, the Institute will continuously monitor and review this arrangement throughout the year to ensure that MTI's clients receive the utmost in customer service and responsiveness.

The State of Maine, with MTI's participation and input, developed a new ten-year strategic economic plan in December 2019. The pandemic interrupted the planned implementation of that strategy but, in 2020, the Governor appointed a statewide Economic Recovery Committee (ERC) to provide recommendations for stabilizing the economy during the pandemic and stimulating its eventual recovery. The ERC's recommendations, along with the strategies outlined in the ten-year plan, are now in the implementation phase and MTI is playing a leading role in shaping Maine's innovation efforts into the future.





# Key Events & Happenings

## Twelve Maine Companies Named to Inc. 5000 Fastest-Growing List

Half of Them Are MTI Portfolio Companies



Twelve Maine companies made Inc. magazine’s 2021 annual list of the 5,000 fastest-growing private companies in the United States. To make the list, businesses must have had revenue of at least \$2 million in the most recent year, and be privately held, independent companies. Half of them—Origin in Farmington; SaviLinx and STARC Systems of Brunswick; and Tilson Technology, Sea Bags, and MunicIPAY of Portland—are MTI portfolio companies, meaning they have received funding or assistance from MTI.

### Renewable Energy Partnership Boosts Millinocket Mill Site Redevelopment

Phase two of the infrastructure buildout at the former Great Northern Paper mill site in Millinocket is underway; including improvements to the on-site power grid, data transmission, sewer and water systems, roads and rail. The project was recently awarded \$1.34 million in financing—a \$500,000 grant from Maine Rural Development Authority and an \$837,000 loan from Maine Technology Institute.

### Two Maine Startups Get Into National Cleantech Accelerator Program

Yarmouth-based BaselineES and Foothill Fuels of Portland will join 45 regional peers in the Cleantech Open Northeast cohort of the annual Cleantech Open accelerator program. The Maine Technology Institute will cover costs

for both Maine participants, while the Environmental & Energy Technology Council of Maine promoted and facilitated their applications.



### New Pitch Competition Aims to Help Maine’s Marine and Coastal Businesses



Funded in part by MTI, Maine Sea Grant launched Buoy Maine, a new virtual pitch competition to fund

innovative projects and ideas to help coastal businesses better address the challenges of operating during the pandemic. 10 Businesses and nonprofits were selected to win \$12–\$14,000 each.

### Maine Gets \$2 Million to Help Advance Offshore Wind Power

The Governor’s Energy Office is receiving more than \$2.1 million from the U.S.

Department of Commerce’s Economic Development Administration to advance an economic roadmap aimed at creating jobs and growing talent in Maine, with a focus on floating technology. The grant will be matched with \$267,624 in state funds and \$112,457 in local funds, including funding from MTI and in-kind contributions from the University of Maine.



## Two Maine Organizations Awarded Federal Innovation Accelerator Grants

Waterville's Central Maine Growth Council and Portland-based Maine Center for Entrepreneurs have been awarded grants that support creation of rural innovation hubs. The Waterville grant will be used to create a startup accelerator, Dirigo Labs. The award is in addition to local matching funds, including a \$300,000 cash grant from MTI.



## Startup Maine Series to Spotlight Entrepreneurs, 'Ecosystem Builders'

Startup Maine, a Portland-based nonprofit organization launched a virtual speaker series featuring movers and shakers in the state's startup community, with a heavy focus on tech entrepreneurs. Sponsored in part by MTI.



## MTI Joins Welcoming America

To help nurture a more welcoming and inclusive innovation and entrepreneurial ecosystem in the State of Maine, MTI and Maine Accelerates Growth (MxG)—an MTI-sponsored program—joined the Welcoming America network. Welcoming America is a nonprofit, nonpartisan organization that will help MTI and MxG work to employ new policies and approaches to change systems and culture by creating inclusive, welcoming places.



## \$1M Committed to Kickstart Bioscience Cluster Programs for Entrepreneurs

The Maine Center for Entrepreneurs (MCE) recently launched a bioscience cluster initiative which includes business incubators, accelerators and



research partners dedicated to growing Maine's bioscience industry. MCE was awarded a \$300,000 grant from MTI.

## The Cubby Takes Top Prize in Maine's Top Gun Awards

Founded and operated by Colby College students, The Cubby won Maine Center for Entrepreneurs' Top Gun Final Showcase which includes a \$25,000 prize, courtesy of MTI. The Waterville-based startup is an online marketplace designed to help college students sell artwork.



## Greenlight Maine Finale Televised on July 1—All Three Finalists Were MTI Portfolio Companies

On July 1st, three Maine companies—Bixby & Co, bluShift Aerospace, and STARC Systems—faced off to see who won \$25,000, \$10,000 or \$5,000 in prize money on Greenlight Maine.

This year's finalists, all MTI portfolio companies, emerged after competing against a total of 26 contestants. The businesses are all amazingly unique and innovative but, quite frankly, could not be more different from one another. While obviously making dissimilar products, they all share a common goal of scaling their products and businesses in



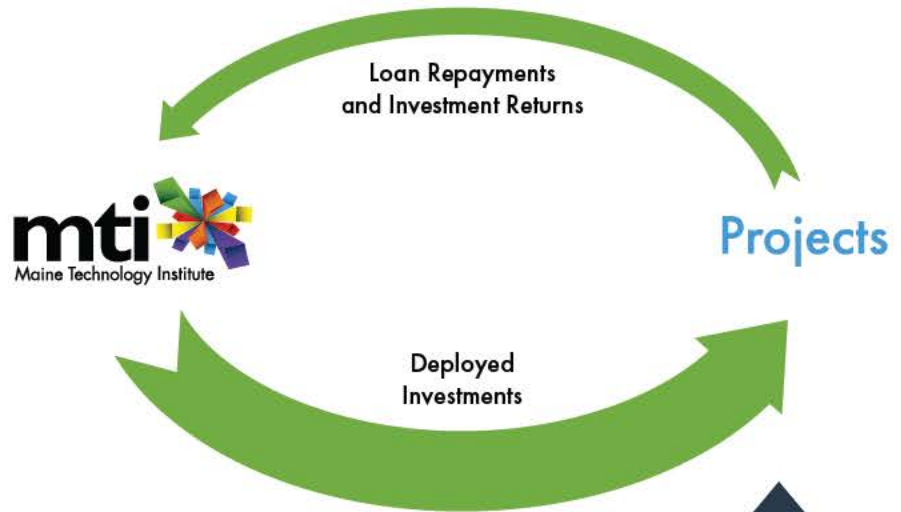
Maine. Bixby ended up winning the top prize, with STARC and bluShift finishing in second and third respectively.



MTI has been a proud sponsor and supporter of Greenlight Maine's startup business series, a college edition and a new edition celebrating minority-owned enterprises in our state.

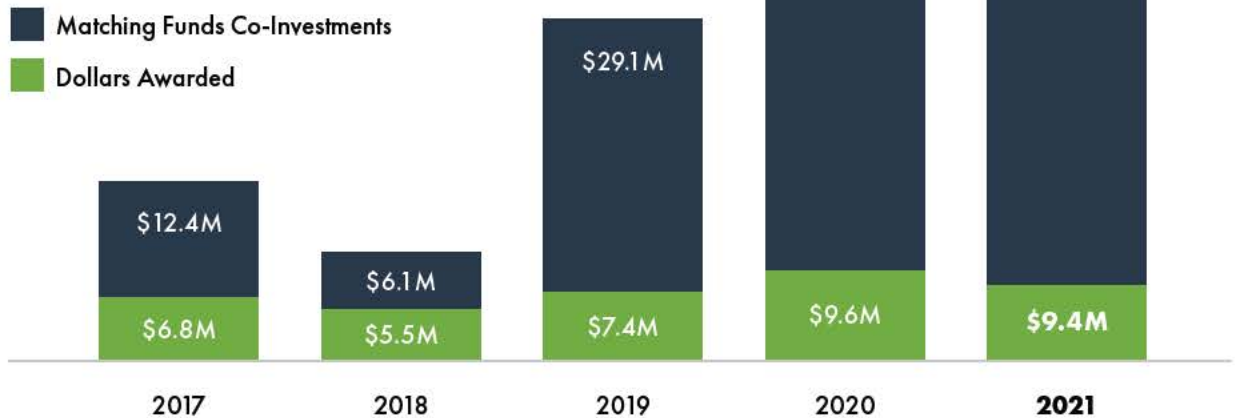
# MTI FY21 Funding Report

MTI receives an annual appropriation from the Maine Legislature. For the third consecutive year we were able to put additional money to work as a result of loan repayments and sound investment returns.



## Total Dollars Awarded/ Matched by Year

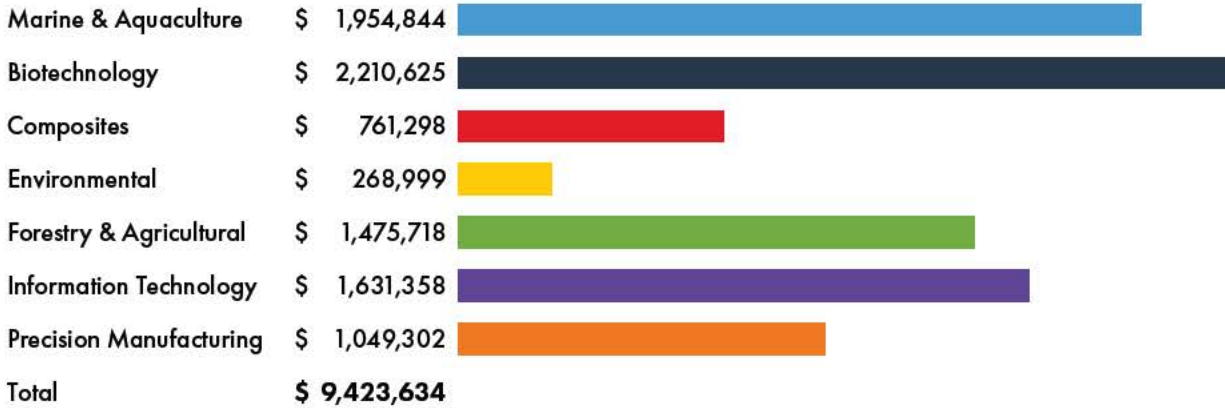
For the third straight year, MTI increased the amount of private sector matching funds that were invested alongside our awards.



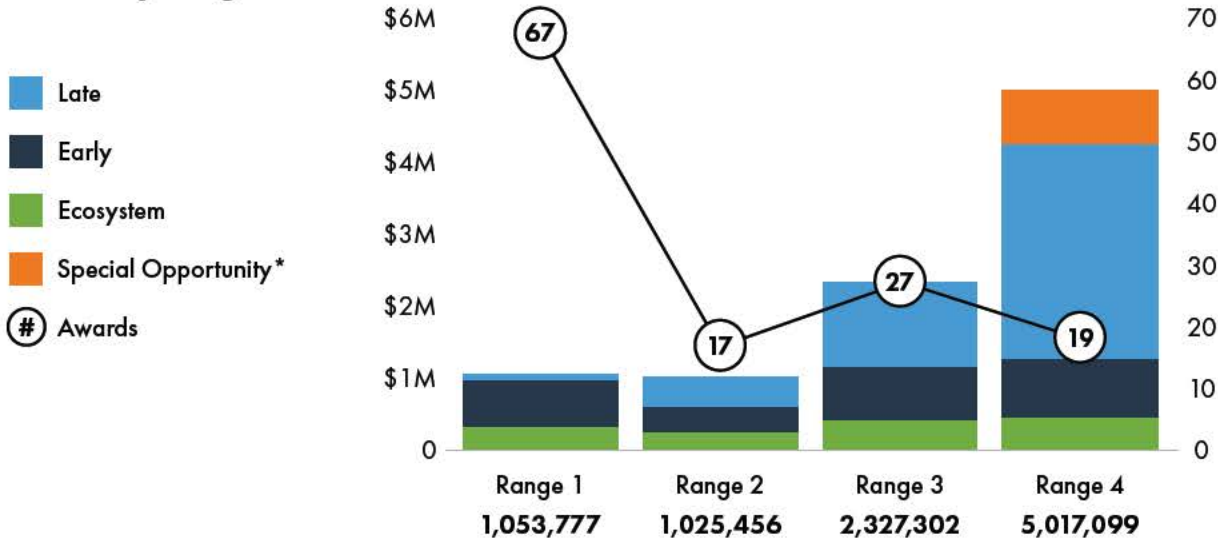
## Awards by Technology Sector

The State of Maine has targeted seven technology sectors best suited for investment and other forms of support. These include both mature industries (like forestry and agriculture) as well as emerging ones (such as composite

materials and biotechnology). In FY21, MTI invested in business within all seven of these targeted sectors, helping to create a more vibrant and diversified economy.



## Awards by Range



Because MTI invests in businesses of varying maturity, and because we individualize our approach and investment to the clients needs, we distribute our levels of funding across four ranges. Generally, we fund a greater number of projects at a lower level, then dedicate larger

levels of investment to a smaller number of projects that will have a greater impact.

### \*Special Opportunity:

MTI awarded \$750,000 in special opportunity funds. This award was for The Roux Institute Venture Creation & Acceleration Platform

# Other Programs

43

organizations supported by TAP Team in FY21

\$1.29M

in federal awards made to companies receiving TAP assistance

## E-Resident Program

MTI employs an E-Resident 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-Resident 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.

## SBIR/STTR Technical Assistance Program

The federal Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) program provides over \$3.7 billion in annual funding for small businesses to conduct research and development of innovative technology leading to the commercialization of new products, processes and services. In accordance with MTI’s statutory mandate, the Technical Assistance Program (TAP) helps Maine small businesses develop competitive SBIR/STTR proposals. The TAP Team offers guidance and strategies for writing proposals, and critical technical editing services, government accounting assistance as well as access to an experienced commercialization expert, market researchers and a biotech consultant.

### Summary of awards to Maine companies receiving TAP assistance

Company	Agency/Phase	Amount	YEAR
Jet-Set Offset	NSF SBIR Ph I	\$256,000*	2020
Shellfish Solutions	NOAA SBIR Ph II	\$500,000*	2020
Springtide Seaweed	USDA SBIR Ph II	\$600,000*	2020
Maine Shellfish Dev.	USDA SBIR Ph I	\$106,500	2021
Johnny’s Selected Seed	USDA SBIR Ph I	\$106,000	2021
MicrowaveTechniques	DOE SBIR Ph I	\$200,000	2021
Tethys Research	NSF Ph I Resub	\$256,000	2021
Pepin Associates	NASA SBIR Ph II	\$617,000	2021

- MTI is actively working with five FY21 applicants to submit federal grant proposals with a potential award value of \$2.3M
- Five other FY21 companies have proposals under federal review —with a potential value of \$2.2M

\* Another \$1.36M in funding was received in 2020 by Maine entities receiving TAP support. These awards were received after last year’s annual report was released.

# LiteracyTech

FROM TEACHERS TO TOP GUN WINNERS

Grant | \$25K

70

Number of students a teacher might conference with each week

10hrs

Amount of time conferencing adds, on top of a typical school schedule



MTI was instrumental in helping us build a strong foundation for our startup. [They helped] guide us through the difficult decisions we had to make as a startup.”

Michelle DeBlois  
Co-Founder & CEO

Michelle DeBlois and Kathryn Lariviere are educators, but oftentimes, they feel more like data managers. In addition to their teaching duties, their days are spent logging reading reports, organizing their classroom library and tracking students’ progress. Over time, the countless administrative tasks began to wear them out and distract them from their true passion: teaching.

In a world where there’s an app for nearly anything, they couldn’t find one to help solve their issue. So they did what any good entrepreneur does: they built one themselves. After teaming up with an old friend from high school who is an accomplished developer, they approached MTI for funding for their new company, Literacy Tech. With MTI’s support, they built and launched ReMo, an app that helps teachers manage the data associated with literacy education and inspires independent reading.

ReMo launched late this summer, just in time to help educators who were facing additional challenges created by teaching remotely during the COVID pandemic. In addition to winning fans in education circles, their innovation is grabbing the attention of Maine’s entrepreneurial community—as it won the \$25,000 prize at the Top Gun pitch event in September.

# Other Bond Funded Program Activities

On occasion, the Maine Legislature passes research and development bond initiatives that are presented to Maine voters. Once approved by voters, MTI typically administers the funds on behalf of the State. The following bond initiatives are currently under active management by MTI.

## **Maine Technology Asset Fund 2.0 (MTAF 2.0)**

In June 2017, voters approved the second Maine Technology Asset Fund 2.0 (MTAF 2.0) program. The initiative specified that “forty-five million dollars (\$45,000,000) would be distributed by the Maine Technology Institute



in the form of grants to support infrastructure, equipment and technology upgrades in the following targeted technology sectors: biotechnology, aquaculture and marine technology, composite

materials technology, environmental technology, advanced technology for forestry and agriculture, information technology, and precision manufacturing technology. Funds were awarded to public and private entities in Maine through a competitive process, and recipients were required to match these State dollars with an equivalent amount of federal or private funds.”

MTI solicited proposals in the fall of 2017 and received 183 applications seeking, in aggregate, nearly \$400 million. These proposals flowed in from all 16 Maine counties and represented businesses of all levels of maturity from startups to publicly traded companies. MTI conducted extensive due diligence and ultimately made 18 funding awards in early 2019. MTI augmented the \$45 million in bond funds with an additional \$1,063,836 to further maximize the impact of the awards. In total, MTI awarded \$46,063,836 (matched by \$192,536,123). According to an

independent economic impact analysis, the awards will directly result in 5,350 jobs and \$1.4 billion in economic impact over the next 3 years.

## **Marine Jobs Fund**

In 2014, the Legislature authorized, and the voters of the State of Maine approved, (Public Law 2014, Chapter 592) 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, called for immediate infrastructure investments in public and private institutions throughout Maine. The \$7 million award also included \$1.92 million to fund a competitive Marine Jobs Fund Small Capital



Grants Program. MTI was asked to administer this competitive process and issued a request for proposals in July 2017. MTI received 39 letters of intent. The Alliance for Maine’s Marine Economy conducted the review and evaluations of the proposals and made recommendations to the MTI Board of Directors. Ultimately, in FY20, the MTI Board

of Directors made 10 awards from the Marine Jobs Fund Small Capital Grants program totaling \$1,924,303 (matched by \$6,507,200).

### **Maine Cancer and Aging Resource 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 matched its \$10 million award with more than \$11 million in matching funds. The project remains under active management by MTI.



### **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 modernize and expand infrastructure in a biological laboratory specializing in tissue repair and regeneration located in the state. The funds were awarded through a competitive process to modernize and expand infrastructure in a biological laboratory specializing in tissue repair and regeneration located in the state, 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 matched its \$3 million award with more than \$5.7 million in matching funds. The project remains under active management by MTI.



### **Maine Technology Asset Fund (MTAF)**

MTI also administers the Maine Technology Asset Fund (MTAF), a competitive bond-funded program providing investments for facilities construction, renovation, and equipment, which advance emerging technologies on the research, development and commercialization path to help Maine companies, university centers and non-profit research institutions secure further investment. MTAF was first approved by the Maine Legislature and the state's voters in 2007 and 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 disbursed 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. MTI received the \$3M in MTAF funds in FY15. Those funds, including approximately \$900,000 not awarded from earlier rounds and augmented by another \$921,871 in MTI funding, were used to issue 8 new MTAF awards totaling approximately \$4.9 million and matched by \$12 million. While the funding awards were made in FY15, the projects are still under active MTI management.



# Springtide Seaweed

RESEARCH AND TECHNOLOGY

DIVERSIFIES THIS SEAWEED BUSINESS

Multiple Awards | \$295,000

670%

sales increase from  
2017 to 2020

35

total acres for cultivation,  
the largest organic seed  
nursery in the US.



MTI provides a unique range of funding opportunities that have enabled investments in essential infrastructure, research, development, new partnerships, and non-profit educational and training efforts to accelerate the development of seaweed aquaculture in Maine and beyond."

Andrea "Trey" Angera  
General Counsel

The ocean off the coast of Maine could be described as the best place in the North Atlantic for a seaweed business. There's clean water that's rich in nutrients, close proximity to markets and a state that is very supportive of Aquaculture.

Springtide Seaweed has taken advantage of this location to build a multi-faceted seaweed business in Gouldsboro, on the Downeast coast. Their growth since starting in 2017 has led them from growing and selling seaweed to also introducing a nursery, milling, pelletizing, and processing of seaweed as well as creating the Maine Seaweed Exchange an educational and advocacy organization for the industry. Their focus on research and technology has expanded to include an online marketplace that helps seafood producers access markets, and smart gear and sensors that are used in the field.

Initial MTI investments focused on processing and farm equipment. Springtide Seaweed was also awarded an SBIR phase I grant to do cultivation of Nori and Dulse. They recently worked with MTI's TAP team to create a successful application for a Phase II grant.

MTI has helped them to diversify outside of being a commodity producer. Rather than harvesting seaweed directly for their own food products, Springtide Seaweed prefers to develop and sell ingredients for other companies to use. These may be snack chips now but they are just as likely to be beauty, nutraceutical and pharmaceutical products and the company continues to expand their product line.



# Marin Skincare

TREATING SKIN CONDITIONS  
WITH MAINE-CAUGHT LOBSTER

Multiple Awards | \$193K

**125M** people with psoriasis  
worldwide

**35M** Americans suffer  
from eczema



Amber Boutiette  
Co-founder &  
Chief Product Officer

Like millions of people across the country and around the world, Amber Boutiette battled with clinical skin issues for most of her life. While there are numerous treatments, there are few quality options—steroid creams can further damage the skin and over-the-counter medications are often ineffective.

Fortunately for Boutiette, she stumbled upon a solution during her graduate studies at the University of Maine. At UMaine, Boutiette and fellow student Patrick Breeding were researching lobster glycoproteins, which help fight disease and heal damaged tissue. Boutiette tried the glycoproteins on her eczema, and the results were astounding.

With funding from MTI, Boutiette and Breeding commercialized their discovery—launching Dermarus and releasing their first product, Marin Skincare. They now partner with Luke’s Lobster to extract lobster glycoprotein ethically and sustainably, helping increase the utilization and value of Maine’s \$500+ million lobster harvest.

As winners of the recent Buoy Maine pitch competition, Marin Skincare is gaining momentum and a loyal following of customers who are finding relief thanks to a uniquely-Maine innovation.



"I must emphasize that accessing MTI funds did not just result in additional jobs for GWI; it resulted in many jobs all over the state of Maine."

**Kerem Durdag**  
President & COO of GWI

## Support

"Grants and loans from MTI have played a key role in our ability to advance this business and create jobs in Maine."

**Bob Watterson**  
Founder of  
MyHealthMath, Inc.

"From its inception, Peregrine has benefited from the support and interest of Maine Technology Institute. It stands as the only true clearing-house in the state of Maine for early-stage funding and business support for technology start-ups like ours."

**David Stapp**  
CEO/CTO of Peregrine  
Turbine Technologies, LLC

"Over the years MTI's TAP team has helped Compotech win numerous multi-million-dollar government contracts. This support allowed Compotech to grow from a small company working out of shared incubator office space into one of the top 40 US Defense contractors in Maine."

**Paul Melrose**  
CEO of Compotech, Inc.

## Innovation



"The range of programs that they offer to encourage entrepreneurs to test an idea, build the initial team to

execute, and then scale up is very rare nationally. In our case, it allowed us to take a services business and convert it into a patented product."

**Owen McCarthy**  
Co-Founder  
of MedRhythms

"MTI is a driving force in providing CEOs the ability to attract and hire qualified, skilled workers right here in Maine, and pay them well, resulting in increased company revenue, as well as providing a sustainable boost to the Maine economy."

**Amy Farrell**  
Account Executive at VETRO

"MTI...has funded numerous innovation related projects over the years including a pivotal Development Loan allowing us to establish our vaccine manufacturing facility."

**William Keleher**  
CEO of Kennebec River  
Biosciences

## Encourage

# Farmhand Automation

STATE-OF-THE-ART AUTOMATION  
LEND'S SMALL FARMS A HELPING HAND

Grants | \$50K

92%

of the U.S. population could  
be fed by small farms

10%

of the U.S. food supply is  
supplied by small farms



We knew we had to start this company in Maine because MTI shares our vision for supporting innovation in the local food economy. MTI's support allows us to stay close to our values and has helped us raise \$350K in equity funding."

Alexander Jones  
Founder & CEO

It's becoming more and more difficult to survive and thrive as a small or mid-sized farmer. Costs are increasing, labor is becoming more scarce and climate change threatens fickle growing cycles. So while small farms have the capacity to supply 92% of our nation's food, they currently only provide 10% of what we eat. The supply chain is still dominated by industrial-scale farms.

Good news—and help—is on the way, however. The innovation in agricultural robotics and automation that made industrial farming possible is making its way to small-scale farms—thanks in part to Biddeford-based Farmhand Automation.

With funding from MTI, they've developed a prototype robotic platform that can automate tedious agricultural operations such as bed preparation, planting and weeding. By making this technology affordable and accessible, Farmhand Automation hopes to increase the amount of food we get from small farms, while helping small farmers increase their profitability, viability and quality of life.

# Standard Biocarbon

BRINGING BIOCHAR—A CLEAN, SUSTAINABLE  
INDUSTRY—TO MAINE

Grants | \$100K

18K

cubic yards of biochar  
to be produced per year

500T

Amount of locally  
sourced mill residuals to  
be processed monthly



The support from MTI, together with investment and encouragement from the broader Maine community, has been instrumental in bringing this new business to Maine.”

Fred Horton,  
President & CEO

What if you could pick up timber waste and turn it into something that can fertilize farms, remediate ‘forever chemicals’, and maybe even capture and remove atmospheric carbon? Standard Biocarbon is ready to use Maine’s enormous supply of woody biomass to turn it into biochar, a product that hopes to do all this and more.

Biochar is made by heating biomass in an oxygen limited chamber at precisely controlled high temperatures. Using funds from MTI as well as CEI and FAME, Standard Biocarbon will purchase equipment for producing high quality biochar at the former site of the Great Northern Paper mill in East Millinocket. Over thirty similar machines, made by Germany’s Pyreg GmbH, are already operating in Europe and Asia.

Standard Biocarbon has found itself at the right place and right time. Maine’s northern forest generates by-products from the commercial logging process and the vacant paper mill was well-suited to be converted to this new technology. “Maine has the right human capital, infrastructure, and natural resources to make this happen with a lot of room to grow,” says President and CEO, Fred Horton.

Active MTI Collaborations, Affiliations and Partnerships



## Partnerships To Promote Maine's Innovation Economy

In addition to direct support of innovators, MTI also supports programs and infrastructure that encourage innovation. 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 startup community.

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

- University of Maine
- UpStart Maine
- Maine Community Foundation
- Maine Development Foundation
- Maine Discovery Museum
- Manufacturers Association Of Maine
- Maine International Trade Center
- Northeast Clean Energy Council Institute
- Bioscience Association of Maine
- Mount Desert Island Biological Laboratory

Awarded



sponsorships  
worth

**\$262K+**



## Organization

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 120 subject matter experts comprise the membership of these Tech Boards.

MTI operates from its office in Brunswick, as well as remotely. The staff is composed of a Director of Finance & Administration, four Senior Investment Officers, two Investment Officers, a Director of Business Development, one Lending & Grant Associate, and one Administrative Assistant. The MTI President is employed by the Maine Department of Economic & Community Development.

# Looking Ahead to FY22

On July 19, 2021, the Maine Legislature enacted the **Maine Jobs & Recovery Plan**, the state’s roadmap for allocating the more than \$1 billion in federal discretionary funding associated with the American Rescue Plan Act of 2021. The new law takes effect on October 18, 2021.

The package included meaningful allocations to support innovation, and makes investments that will help address revenue losses in Maine small businesses and high growth enterprises, and will position those entities to retain and create jobs, grow revenues, and gain market share.

Specifically, the Maine Jobs & Recovery Plan includes the following funding related to innovation and the Maine Technology Institute:

## Funding for the Forest Products Industry

MTI will administer \$20 million (\$10M in each of the next two years) for “one-time grants funding for economic recovery and development opportunities in the forest products industry to address reduced demand from economic disruption of the COVID-19 pandemic and other industry effects.” We will work collaboratively with the Maine Department of Agriculture, Conservation and Forestry to develop programming that will help achieve the objectives of the legislation.



We also plan to conduct a “Listening Tour” in the late summer of 2021 to ensure widespread input and buy-in from businesses and our ecosystem partners.

## Grants for Seafood Infrastructure & Facilities

The Maine Department of Marine Resources (DMR) will administer \$10M for “competitive grants for seafood processors and dealers to upgrade or replace aging or failing infrastructure, or reengineer and retool facilities, in response to product changes or safety protocols necessary as a result of the COVID-19 pandemic.”



## Funding for Maine’s Technology Sectors

MTI will administer \$39.6M (\$25M in year one, and \$14.6M in year two) for “one-time funding to support and leverage private investments in research, development, and innovation in the state’s technology sectors. These funds, which must be



matched by the recipient, will be awarded to Maine organizations through a competitive process to help them increase revenue, create and preserve jobs, and grow market share.” We are in the midst of program design work for this funding that will likely include multiple competitive funding rounds focused on specific sectors/business types and public/private partnerships supporting industries or regions of the state with the goal of mitigating the economic impact of the pandemic.

## The Clean Energy Innovation Program

The Maine Jobs & Recovery Plan also provides \$2.5 million in “one-time funding to establish the clean energy innovation program of the clean energy partnership to fund programs that advance innovation in the clean energy sector, including but not limited to providing grants in coordination with the Maine Technology Institute.”

The MTI team is looking forward to designing programs and deploying these funds to help mitigate some of the harmful economic impacts associated with the global pandemic and to sustain and grow innovative enterprises in the state of Maine.



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Maine Technology Institute

We have audited the accompanying financial statements of Maine Technology Institute (a component unit of the State of Maine) and the fiduciary fund (the Institute), as of and for the years ended June 30, 2021 and 2020, 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 Maine Technology Institute and the fiduciary fund as of June 30, 2021 and 2020, and the changes in net position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## Other Matters

### *Change in Accounting Principle*

As discussed in Note 1, the Institute adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The accompanying 2020 financial statements have been restated to separately report the financial statements of the Institute's fiduciary activities as a result of this change. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on Pages 3 through 10 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*

Bangor, Maine  
October 12, 2021

**MAINE TECHNOLOGY INSTITUTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2021 and 2020**

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, 2021 and 2020 ("FY2021 and FY2020" or "Fiscal 2021 and 2020"). We encourage readers to consider the information presented here together with the basic financial statements as a whole.

**Financial Highlights**

- MTI received \$6,572,814 in FYs 2021, 2020 and 2019, from a State appropriation through the Department of Economic and Community Development ("DECD") for general programs. During FY2021, \$610,000 in additional funding was received to administer the Maine Economic Recovery Grant Program and certain expenses. During FY 2020, \$10 million in bond funds for the Maine Technology Asset Fund (MTAF) were received.
- During FY2021 there was a curtailment of MTI funds of \$336,515 due to State needs. This amount was returned in September of FY2021. During FY2020, there was no curtailment; however, during FY2019, MTI's funding was curtailed by \$700,000, due to State budget constraints, and the amount was returned during June of that fiscal year.
- During FY2019, MTI implemented a new core award program. The siloed programs were replaced. MTI now uses a streamlined model to assist awardees in moving through the research and development continuum. This allows MTI to determine the appropriate resources needed for every intake situation, be it a funding award, other assistance, or a referral to one of MTI's ecosystem partners.
- In FY 2021, MTI approved 97 projects totaling \$7.1 million, compared to 113 projects totaling \$9.8 million, and 120 projects totaling \$8.3 million in FY 2020 and FY2019, respectively. During FY2021, \$2 million in MTAF awards were approved.
- MTI expended \$17.1 million in FY2021 according to agreed-upon project award milestones, versus \$23.1 million and \$27.8 million during FY2020 and FY2019, respectively. During FY2021, core award payments decreased by \$2.3 million from FY2020. During FY2020, core award program payments decreased by \$778,000 from FY2019. In FY2021, MTAF payments decreased by \$3.3 million and in FY2020, MTAF payments decreased by \$2.5 million. In FY2019, the Maine Opportunity Growth Fund disbursed \$20,000. Payments for the Maine Marine Economy and Jobs Bond decreased by \$460,000 and \$1.3 million for FY2021 and FY2020, respectively.
- MTI's outstanding commitments for its core awards totaled \$6.0 million, including \$2.2 million in approved awards awaiting contract finalization. For FY2020 commitments totaled \$6.5 million, including \$287,000 in approved awards awaiting contract finalization. For FY2019, commitments totaled \$6.7 million, including approximately \$600,000 in approved awards without completed contracts. For FY2021, MTAF funds totaling \$7.2 million were committed, with \$280,000 awaiting contract finalization. For FY 2020, MTAF funds in the amount of \$14.8 million were committed, with all awards being contracted. For FY2019, MTAF funds in the amount of \$27.4 million were committed, and contracted. For the Maine Marine Economy and Jobs Bond Fund outstanding commitments for FY 2021 were \$464,000. As of June 30, 2020 and June 30, 2019, commitments for the Maine Marine Economy and Jobs Bond Fund were \$1.1 million and \$1.7 million, respectively.

## MAINE TECHNOLOGY INSTITUTE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2021 and 2020

- MTI received \$2.0 million of Development Award repayments during FY2021, compared to \$1.2 million in repayments during FY2020; \$2.3 million was received in FY2019.
- The amount of \$542,000 was realized from interest in FY2021, compared to \$508,000 in FY2020. For FY2019, \$600,000 was received.
- The bonds that created the Maine Technology Asset Fund, which MTI was directed to administer by the Legislature, were approved by Maine voters in November 2007, June 2010, and June 2017. FY2021 MTAF operating costs were \$10,000 and paid out of net assets. FY2020 MTAF operating costs were \$8,900. FY2019 MTAF operating costs were \$24,000.
- The bond that created the Maine Marine Economy and Jobs Bond Fund, which MTI was directed to administer, was approved by Maine voters in November 2014. No administration costs were approved with these bond funds, and so operating costs for these funds were paid out of net assets.
- During FY2017, MTI developed and promoted the Maine Accelerates Growth Initiative (MxG). 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. During FY2021, the related expenses were \$66,750. No expenses for this program were recorded in FY2020. For FY2019 those related expenses were \$4,600.
- As good caretakers of the monies related to all bond funds which MTI administers, MTI returns all interest earned on the funds held to the Maine State Treasurer's Office on a quarterly basis. For FY2021, this amounted to a return of \$368,000. For FY2020, this amounted to \$400,000, and it totaled \$674,000 for FY2019.
- FY2021 administrative and operating costs, excluding award payments, were \$1.6 million, representing a decrease of \$300,000 from FY2020. FY2020 costs were \$1.9 million, a decrease of \$100,000 from FY2019. Operating expenses, including the costs to monitor and administer the MTAF, are paid from administration fees of 10% of the State appropriation (7% during all FYs prior to 2014), fees on development award repayments and interest earnings.
- During FY2021, MTI continued its Entrepreneur-In-Residence program. The program consists of several consultants who are assigned to assist MTI-funded companies and their personnel on a variety of projects of particular significance to the recipients. During FY2021, expenditures were in the amount of \$106,000 and were paid primarily through program funding. During FY2020, \$196,000 was expended and in FY2019, \$171,000. 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.

**MAINE TECHNOLOGY INSTITUTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2021 and 2020**

- 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.
- FY2021's surplus resulted in an increase in net position of \$214,000. FY 2020's surplus resulted in an increase in net position of \$27,000. FY2019's surplus resulted in an increase of \$360,000.

**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 Department of Economic and Community Development. 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 Department of Economic and Community Development, and is President of the Institute as elected by the Board of Directors.

The Institute has functioned with a staff of up to 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.

**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.

**MAINE TECHNOLOGY INSTITUTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2021 and 2020**

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

**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.

The Institute adopted GASB Statement No. 84, *Fiduciary Funds* in 2021. As described in Note 1, GASB 84 requires the Institute to report certain fiduciary activity in separate statements of fiduciary net position and changes in fiduciary net position. The fiduciary activity has been combined with the Institute activity for purposes of this analysis.

**Financial Analysis: 2021 Compared to 2020 and 2019**

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 \$2,140,803 on June 30, 2021, compared with \$1,926,562 in 2020 and \$1,899,836 in 2019.

The Institute's financial position as of, and operations for, fiscal years 2021, 2020, and 2019 are summarized below based on information included in the financial statements.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 17,976,248	\$ 28,769,673	\$ 25,540,458
Loans and investments (net of allowances)	10,133,739	9,638,141	5,903,993
Capital assets, net of depreciation	41,033	76,712	90,260
Other assets	<u>128,075</u>	<u>138,100</u>	<u>10,144,147</u>
 Total assets	 <u>28,279,095</u>	 <u>38,622,626</u>	 <u>41,678,858</u>
 Refundable advances	 25,980,197	 36,556,407	 39,560,100
Other liabilities	<u>158,095</u>	<u>139,657</u>	<u>218,922</u>
 Total liabilities	 <u>26,138,292</u>	 <u>36,696,064</u>	 <u>39,779,022</u>
 Net position, all unrestricted	 <u>\$ 2,140,803</u>	 <u>\$ 1,926,562</u>	 <u>\$ 1,899,836</u>

Cash and cash equivalents compose a significant 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 until expended. 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.

**MAINE TECHNOLOGY INSTITUTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2021 and 2020**

In FY2021, MTI made four investments in equity or convertible note positions. In FY2020, MTI made seven investments in equity or convertible note positions. In FY2019, MTI made four Equity Capital Fund investments to companies that had previously received Development Awards. 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 receivables decreased from Fiscal 2019 to 2020 due to amounts receivable from the State of Maine at June 30, 2019.

Refundable advances represents all funding on hand for use in MTI programs. Funding is disbursed according to achievement of milestones by the recipients. As noted earlier, \$6.0 million and \$6.5 million were committed but not yet disbursed for MTI's core awards at the close of June 2021 and 2020, respectively. MTAF outstanding commitments total \$7.2 million and \$14.8 million at June 30, 2021 and 2020, respectively.

Other liabilities are comprised primarily of accounts and awards payable which, combined, increased by \$18,000 from 2020 to 2021.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues			
State of Maine funding	\$ 19,879,696	\$ 26,794,832	\$ 34,411,446
Other operating revenues	<u>496,999</u>	<u>362,436</u>	<u>602,828</u>
<b>Total operating revenues</b>	<b><u>20,376,695</u></b>	<b><u>27,157,268</u></b>	<b><u>35,014,274</u></b>
Operating expenses			
Program grants	18,757,767	25,525,613	33,150,015
Special grants	325,871	199,698	215,175
Salaries and wages	832,014	872,764	867,089
Other operating expenses	<u>788,589</u>	<u>1,039,545</u>	<u>1,103,252</u>
<b>Total operating expenses</b>	<b><u>20,704,241</u></b>	<b><u>27,637,620</u></b>	<b><u>35,335,531</u></b>
<b>Net operating loss</b>	<b>(327,546)</b>	<b>(480,352)</b>	<b>(321,257)</b>
Nonoperating revenues, net	<u>541,787</u>	<u>507,078</u>	<u>681,482</u>
<b>Increase in net position</b>	<b>\$ <u>214,241</u></b>	<b>\$ <u>26,726</u></b>	<b>\$ <u>360,225</u></b>

**MAINE TECHNOLOGY INSTITUTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2021 and 2020**

Operating revenues – State of Maine funding reflects MTI's State appropriations and bond funds received and grants made. The changes in FY2021 and FY2020 reflect the change each year in awards funded.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
State appropriation received	\$ 6,572,814	\$ 6,572,814	\$ 6,572,814
Supplemental funds received	610,000	-	-
State bond funds received	-	10,000,000	-
Accrual basis accounting effect	<u>12,696,882</u>	<u>10,222,018</u>	<u>27,838,632</u>
Revenues recognized	<u>\$19,879,696</u>	<u>\$ 26,794,832</u>	<u>\$ 34,411,446</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.

MTI's operating expenses (which include award disbursements and accruals) were 25% lower in 2021 than 2020. Program grants were 27% lower due primarily to reduced MTAF grant payments. Special grants were 63% higher due to increased activity. Salaries and wages were 5% lower due to an unfilled vacancy. Other operating expenses decreased by 24% due in part to reduced travel and marketing costs. Operating expenses were 22% lower in 2020 than 2019. Program grants were 23% lower due primarily to decreased MTAF bond payment activity. Special grants were 7% lower due to less activity. Salaries and wages were consistent year over year. Other operating expenses decreased by 6% due in part to reduced travel and technology costs.

**Cash Flow Highlights**

Cash and cash equivalents decreased \$10.8 million between FY2021 and FY2020 primarily due to the disbursement of MTAF 2.0. This compares to an increase from FY2019 to FY2020 of \$3.2 million which was related to the receipt of MTAF 2.0 funds.

**Looking Ahead**

On July 19, 2021, the Maine Legislature enacted the Maine Jobs & Recovery Plan, the state's roadmap for allocating the more than \$1 billion in federal discretionary funding associated with the American Rescue Plan Act of 2021. The new law takes effect on October 18, 2021.

The package included meaningful allocations to support innovation and makes investments that will help address revenue losses in Maine small businesses and high growth enterprises, and will position those entities to retain and create jobs, grow revenues, and gain market share. Specifically, the Maine Jobs & Recovery Plan includes the following funding related to innovation and the Maine Technology Institute:



**MAINE TECHNOLOGY INSTITUTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2021 and 2020**

MTI will administer \$20 million (M) (\$10M in each of the next two years) for "one-time grants funding for economic recovery and development opportunities in the forest products industry to address reduced demand from economic disruption of the COVID-19 pandemic and other industry effects." We will work collaboratively with the Maine Department of Agriculture, Conservation and Forestry to develop programming that will help achieve the objectives of the legislation.

MTI will administer \$39.6M (\$25M in year one, and \$14.6M in year two) for "one-time funding to support and leverage private investments in research, development, and innovation in the state's technology sectors. These funds, which must be matched by the recipient, will be awarded to Maine organizations through a competitive process to help them increase revenue, create and preserve jobs, and grow market share." We are in the midst of program design work for this funding that will likely include multiple competitive funding rounds focused on specific sectors/business types and public/private partnerships supporting industries or regions of the state with the goal of mitigating the economic impact of the pandemic. In late summer of 2021, we began to conduct "Listening Tours" to ensure widespread input and buy-in from businesses and our ecosystem partners.

The Maine Department of Marine Resources (DMR) will administer \$10M for "competitive grants for seafood processors and dealers to upgrade or replace aging or failing infrastructure, or reengineer and retool facilities, in response to product changes or safety protocols necessary as a result of the COVID-19 pandemic." MTI is expected to partner with DMR to help deploy the funding.

The Maine Jobs & Recovery Plan also provides \$2.5 million in "one-time funding to establish the clean energy innovation program of the clean energy partnership to fund programs that advance innovation in the clean energy sector, including but not limited to providing grants in coordination with the Maine Technology Institute."

The MTI team is looking forward to designing programs and deploying these funds to help mitigate some of the harmful economic impacts associated with the global pandemic and to sustain and grow innovative enterprises in the state of Maine.

**COVID-19 Update**

The pandemic continues to impact the way business is conducted between MTI and its clients. While the entire MTI team continues to work remotely, the Institute is experiencing little impact on its ability to manage its investment process. However, the Institute will continuously monitor and review this arrangement throughout the year to ensure that MTI's clients receive the utmost in customer service and responsiveness.

The State of Maine, with MTI's participation and input, developed a new ten-year strategic economic plan in December 2019. The pandemic interrupted the planned implementation of that strategy but, in 2020, the Governor appointed a statewide Economic Recovery Committee (ERC) to provide recommendations for stabilizing the economy during the pandemic and stimulating its eventual recovery. The ERC's recommendations, along with the strategies outlined in the ten-year plan, are now in the implementation phase and MTI is playing a leading role in shaping Maine's innovation efforts into the future.

Finally, the pandemic also interfered with Maine's bicentennial in 2020. All the various events related to the bicentennial were cancelled. Those events were pushed off to 2021. MTI is a major sponsor of the

**MAINE TECHNOLOGY INSTITUTE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2021 and 2020**

bicentennial and, specifically, is helping to organize a magnificent "Innovation Expo" that will serve as the climactic conclusion of all the planned bicentennial festivities throughout the year.

The Innovation Expo will now occur on November 20, 2021 at Thompson's Point in Portland. It will feature an innovation walk highlighting the top industry and innovation sectors in Maine, while offering interactive experiences so that attendees can learn more about the current and future opportunities in the sectors. In addition to this exciting experiential walk, there will be Made in Maine vendors selling their wares. The event will include a section of informal education experiences like Maine Discovery Museum, Maine Children's Museum, and the Schoodic Institute, to name a few. There will also be a workforce development area with Live + Work Maine, Jobs for Maine Graduates, Maine Career Centers, and a Startup & Entrepreneurship corner. In another area, they are planning a small stage with seating and high tops where there could be some performances and TED Talks-type presentations, speakers, performances, bicentennial related videos and more.

**Request for Information**

This financial report is designed to provide a general overview of MTI'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, 2021 and 2020**

**ASSETS**

	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents (Note 2)	\$ 9,932,260	\$ 11,291,738
Other receivables	29,822	27,914
Prepaid expenses	98,253	110,186
Loans receivable - current, net of allowance for losses of \$639,983 in 2021 and \$1,163,680 in 2020 (Note 3)	<u>1,242,526</u>	<u>741,817</u>
Total current assets	<u>11,302,861</u>	<u>12,171,655</u>
Property and equipment, at cost (Note 6)		
Leasehold improvements	39,870	39,870
Equipment	146,381	145,663
Computer software	<u>125,995</u>	<u>125,995</u>
	312,246	311,528
Less accumulated depreciation	<u>(271,213)</u>	<u>(234,816)</u>
Net property and equipment	<u>41,033</u>	<u>76,712</u>
Loans receivable, net of allowance for losses of \$7,681,051 in 2021 and \$7,007,222 in 2020, and investments, excluding current portion (Note 3)	<u>8,891,213</u>	<u>8,896,324</u>
Total assets	<u>\$ 20,235,107</u>	<u>\$ 21,144,691</u>

**LIABILITIES AND NET POSITION**

Current liabilities		
Accounts payable and accrued expenses	\$ 146,124	\$ 122,560
Current portion of obligations under capital lease (Note 6)	5,376	5,128
Current portion of refundable advances	<u>9,044,996</u>	<u>10,182,148</u>
Total current liabilities	<u>9,196,496</u>	10,309,836
Obligations under capital lease, net of current portion (Note 6)	6,595	11,969
Refundable advances, net of current portion	<u>8,891,213</u>	<u>8,896,324</u>
Total liabilities	<u>18,094,304</u>	<u>19,218,129</u>
Unrestricted net position		
Undesignated net position	1,211,741	966,947
Net investment in capital assets	29,062	59,615
Board-designated (Note 4)	<u>900,000</u>	<u>900,000</u>
Total unrestricted net position	<u>2,140,803</u>	<u>1,926,562</u>
Total liabilities and net position	<u>\$ 20,235,107</u>	<u>\$ 21,144,691</u>

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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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
State of Maine funding		
Program grants (Notes 7 and 8)	\$ 8,814,139	\$ 12,703,027
Administrative grants	876,336	1,067,410
Matching grants	<u>187,206</u>	<u>355,931</u>
Total State of Maine funding	9,877,681	14,126,368
Royalties	395,676	349,629
Other income	<u>101,323</u>	<u>12,807</u>
Total operating revenues	<u>10,374,680</u>	<u>14,488,804</u>
Operating expenses (Note 5)		
Program grants (Notes 7 and 8)	8,755,752	12,857,149
Special grants (Note 7)	325,871	199,698
Salaries and wages	832,014	872,764
Benefits and payroll taxes	264,104	276,390
Travel	280	11,043
Depreciation	36,397	46,879
Marketing and advertising	101,724	177,292
Consulting fees	19,638	109,415
Other (Note 6)	<u>366,446</u>	<u>418,526</u>
Total operating expenses	<u>10,702,226</u>	<u>14,969,156</u>
Net operating loss	<u>(327,546)</u>	<u>(480,352)</u>
Nonoperating revenues (expenses)		
Investment income	542,480	508,062
Interest expense (Notes 5 and 6)	<u>(693)</u>	<u>(984)</u>
Nonoperating revenues, net	<u>541,787</u>	<u>507,078</u>
Increase in net position	214,241	26,726
Net position, beginning of year	<u>1,926,562</u>	<u>1,899,836</u>
Net position, end of year	<u>\$ 2,140,803</u>	<u>\$ 1,926,562</u>

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

**MAINE TECHNOLOGY INSTITUTE**

**Statements of Cash Flows**

**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
State of Maine funding	\$ 8,043,715	\$ 34,202,139
Award repayments	1,596,887	1,427,044
Royalties received	393,688	349,629
Other receipts	101,403	12,807
Grants paid	(9,649,691)	(24,145,883)
Paid to employees, including benefits	(1,064,143)	(1,140,350)
Paid to vendors	<u>(464,565)</u>	<u>(793,624)</u>
Net cash (used) provided by operating activities	<u>(1,062,706)</u>	<u>9,911,762</u>
Cash flows from investing activities		
Loans funded	(2,629,605)	(5,242,113)
Loans repaid	1,958,798	1,247,758
Net investment income received	540,572	508,062
Investments funded	<u>(160,000)</u>	<u>(1,577,671)</u>
Net cash used by investing activities	<u>(290,235)</u>	<u>(5,063,964)</u>
Cash flows from capital and related financing activities		
Purchase of property and equipment	(718)	(33,331)
Lease obligation payments	(5,126)	(4,894)
Interest payments	<u>(693)</u>	<u>(930)</u>
Net cash used by capital and related financing activities	<u>(6,537)</u>	<u>(39,155)</u>
Net (decrease) increase in cash and cash equivalents	<u>(1,359,478)</u>	4,808,643
Cash and cash equivalents, beginning of year	<u>11,291,738</u>	<u>6,483,095</u>
Cash and cash equivalents, end of year	<u>\$ 9,932,260</u>	<u>\$ 11,291,738</u>
Reconciliation of net operating loss to net cash provided (used) by operating activities		
Net operating loss	\$ (327,546)	\$ (480,352)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities		
Depreciation	36,397	46,879
Provision for loan losses and investment impairment	337,117	1,837,824
Changes in operating assets and liabilities		
Other receivables	(1,908)	9,982,207
Prepaid expenses	11,933	23,840
Accounts payable and accrued expenses	23,564	(74,371)
Refundable advances	<u>(1,142,263)</u>	<u>(1,424,265)</u>
Net cash (used) provided by operating activities	<u>\$ (1,062,706)</u>	<u>\$ 9,911,762</u>

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

**MAINE TECHNOLOGY INSTITUTE**  
**MAINE TECHNOLOGY ASSET FUND**  
**AND MAINE MARINE ECONOMY AND JOB BOND FUND**  
**Statement of Fiduciary Net Position**

June 30, 2021

	<u>Ma ine T e c h n o l o g y A s s e t F u n d</u>	<u>M a i n e M a r i n e E c o n o m y a n d J o b B o n d F u n d</u>	<u>T o t a l</u>
<b>Assets</b>			
Cash and cash equivalents (Note 9)	\$ <u>7,579,306</u>	\$ <u>464,682</u>	\$ <u>8,043,988</u>
Total assets	<u>7,579,306</u>	<u>464,682</u>	<u>8,043,988</u>
<b>Liabilities</b>			
Refundable advances (Note 9)	<u>7,579,306</u>	<u>464,682</u>	<u>8,043,988</u>
Total liabilities	<u>7,579,306</u>	<u>464,682</u>	<u>8,043,988</u>
Net position held in fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**MAINE TECHNOLOGY INSTITUTE**  
**MAINE TECHNOLOGY ASSET FUND**  
**AND MAINE MARINE ECONOMY AND JOB BOND FUND**  
**Statement of Fiduciary Net Position**

June 30, 2020

	<u>Maine Technology Asset Fund</u>	<u>Maine Marine Economy and Job Bond Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents (Note 9)	\$ <u>16,407,724</u>	\$ <u>1,070,211</u>	\$ <u>17,477,935</u>
Total assets	<u>16,407,724</u>	<u>1,070,211</u>	<u>17,477,935</u>
<b>Liabilities</b>			
Refundable advances (Note 9)	<u>16,407,724</u>	<u>1,070,211</u>	<u>17,477,935</u>
Total liabilities	<u>16,407,724</u>	<u>1,070,211</u>	<u>17,477,935</u>
Net position held in fund	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>

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

**MAINE TECHNOLOGY INSTITUTE**  
**MAINE TECHNOLOGY ASSET FUND**  
**AND MAINE MARINE ECONOMY AND JOB BOND FUND**  
**Statement of Changes in Fiduciary Net Position**

June 30, 2021

	<u>Ma ine T e c h n o l o g y A s s e t F u n d</u>	<u>M a i n e M a r i n e E c o n o m y a n d J o b B o n d F u n d</u>	<u>T o t a l</u>
Additions			
Program grants (Note 9)	\$ <u>9,396,491</u>	\$ <u>605,524</u>	\$ <u>10,002,015</u>
Total additions	<u>9,396,491</u>	<u>605,524</u>	<u>10,002,015</u>
Deductions			
Grant award payments (Note 9)	<u>9,396,491</u>	<u>605,524</u>	<u>10,002,015</u>
Total deductions	<u>9,396,491</u>	<u>605,524</u>	<u>10,002,015</u>
Net change	_____ -	_____ -	_____ -
Net position held in fund, beginning of year	_____ -	_____ -	_____ -
Net position held in fund, end of year	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>

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



**MAINE TECHNOLOGY INSTITUTE**  
**MAINE TECHNOLOGY ASSET FUND**  
**Statement of Changes in Fiduciary Net Position**  
**June 30, 2020**

Additions		
Program grants (Note 9)		\$ <u>12,668,464</u>
Total additions		<u>12,668,464</u>
Deductions		
Grant award payments (Note 9)		<u>12,668,464</u>
Total deductions		<u>12,668,464</u>
Net change		<u>-</u>
Net position held in fund, beginning of year		<u>-</u>
Net position held in fund, end of year		<u><u>\$ -</u></u>

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

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2021 and 2020

### 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 of Maine's technology intensive sectors. Businesses, non-profit organizations, academic institutions, and entrepreneurs are eligible for funding under the Institute's programs.

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 core programs the Institute operated until August 2018 were 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.

Beginning in August 2018, the Institute implemented a new funding model. Initial contact is made when those interested complete an intake form. Meetings are established with entities proposing projects. Using an assessment tool, the potential applicant and the Institute review eight different areas, including: Team Ability, Innovation and Value Proposition, Customer and Market, Business/Organization Model, and Scope of Work/Budget. At this point the process may continue with the

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2021 and 2020

Institute or may be referred to a business partner. If the determination is to apply for support, the appropriate level of funding request will be determined, and the application will be submitted. The funding level will also determine the level of due diligence needed with the application. Funding levels may also help to determine the nature of the award. The Institute awards grants, loans, and equity investments. Successful applicants who receive funds are also required to submit reporting on their projects for five years postaward.

Four funding levels are used in the application process, as follows:

Range One – Awards less than \$25,000

Range Two – Awards between \$25,000 and \$100,000

Range Three – Awards between \$100,000 and \$250,000

Range Four – Awards over \$250,000

In addition to the core program(s) listed, the Institute is also asked, on occasion, to administer bond funds on behalf of the State of Maine. The application, review, and award process on these activities is not necessarily handled in the same manner as the core offerings. This process is often dictated by the terms of the bond itself.

During the years ended June 30, 2021 and 2020, two such instances were in place.

- Maine Technology Asset Fund (MTAF) – funded by bonds totaling \$98,000,000 approved by State of Maine voters; this program helps fund capital expenditures supporting research, development, and commercialization. The activity for this fiduciary fund is not included in the entity-wide financial statements of the Institute.
- Maine's Marine Economy and Jobs Bond (MMEJB) – 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. The activity for this fiduciary fund is not included in the entity-wide financial statements of the Institute.

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.

Starting in September of 2020, the Institute leads the application review and financial disbursement of awards from a fund of up to \$5 million as part of the Maine Economic Recovery Grant Program. The intent is to support the viability of businesses less than a year old, which fall into the seven sectors served by the Institute.

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2021 and 2020

### 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.

#### Reporting Entity

The financial reporting entity consists of the primary government (the Institute) and its component unit, Maine Technology Holdings (MTH). As disclosed in the Accounting Standards Adoption section of this Note 1, the financial statements also include two fiduciary activities.

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 is as follows:

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Investments	<u>\$ 48,539</u>	<u>\$ 48,539</u>
<b>LIABILITIES AND NET POSITION</b>		
Due to Maine Technology Institute	\$ 643	\$ 643
Refundable advances	<u>42,900</u>	<u>42,900</u>
Total liabilities	43,543	43,543
Net position	<u>4,996</u>	<u>4,996</u>
	<u>\$ 48,539</u>	<u>\$ 48,539</u>

MTH had no operating revenues or expenses in either 2021 or 2020.

#### 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.

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2021 and 2020

### 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.

### 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, net of impairment where appropriate. These loans receivable 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 receivable and investments are recognized when received due to the uncertainty of collection.

### Allowance for 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 managed 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, 2021 and 2020

### 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. Refundable advances are reduced as additions to the allowances for loan losses and investment impairments are recorded. At the same time program grant revenue is also recorded with an offsetting program grant expense. The amount of these revenues and expenses recognized during 2021 and 2020 was \$337,117 and \$1,837,824, respectively.

The Institute has recognized \$757,800 and \$169,980 in 2021 and 2020, 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 \$35,459 and \$36,891 for the years ended June 30, 2021 and 2020, respectively.

### 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.

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2021 and 2020

### 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.

### Accounting Standards Adoption

As of July 1, 2020, the Institute adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This statement enhanced consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. The accompanying financial statements for the year ended June 30, 2020 have been restated to separately present the statements of fiduciary fund net position and statements of changes in fiduciary fund net position for MTAF and MMEJB. As a result, the Institute's total June 30, 2020 assets and total liabilities decreased from amounts previously reported by \$17,477,935 and the fiduciary funds total assets and total liabilities increased by \$17,477,935. Also, State of Maine funding and program grants expense for the year ended June 30, 2020 both decreased from amounts previously reported by \$12,668,464. There was no impact on the 2020 net changes in net position.

### 2. Cash and Cash Equivalents

Cash and cash equivalents, for account balances over \$10,000, are held in accounts covered under a deposit placement agreement. This arrangement allows the financial institution, acting as custodian and using a sub-custodian, to place amounts in excess of depository insurance limits in destination institutions to maximize depository coverage. The bank account balances are covered by depository insurance up to \$250,000 per bank at June 30, 2021 and 2020. The Institute's cash and cash equivalent accounts had bank balances of \$11,189,802 and \$11,373,007 at June 30, 2021 and 2020, respectively. The fiduciary fund's cash and cash equivalent accounts had bank balances of \$8,043,988 and \$17,477,935 at June 30, 2021 and 2020, respectively.

### 3. Loans Receivable and Investments

The Institute's loans receivable and investments consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Loans receivable	\$ 16,035,841	\$15,378,064
Investments in privately-held companies	<u>2,418,932</u>	<u>2,430,979</u>
	18,454,773	17,809,043
Allowance for losses	<u>(8,321,034)</u>	<u>(8,170,902)</u>
	10,133,739	9,638,141
Less current portion	<u>(1,242,526)</u>	<u>(741,817)</u>
	<u>\$ 8,891,213</u>	<u>\$ 8,896,324</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 4-7.75%. The loans receivable and investments are held by the

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Direct program services	\$ 9,828,326	\$ 13,941,183
General and administrative, including nonoperating expense	<u>874,593</u>	<u>1,028,957</u>
	<u>\$ 10,702,919</u>	<u>\$ 14,970,140</u>

#### 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 \$43,780 and \$37,375 in 2021 and 2020, respectively. Future minimum operating lease payments total \$10,266 and are due in 2022.

##### Capital Lease

In September of 2018, the Institute entered into a capital lease commitment with an interest rate of 4.69% maturing August 2023. The accumulated amortization for equipment under capital lease was \$14,733 and \$9,533 at June 30, 2021 and 2020, respectively. The leased assets are included on the balance sheet in equipment and amortization of the leased assets is included in depreciation expense.



MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2021 and 2020

Future minimum lease payments due in the years subsequent to June 30, 2021 are as follows:

2022	\$ 5,820
2023	5,820
2024	<u>970</u>
	12,610
Less: amount representing interest	<u>639</u>
Obligation under capital lease	11,971
Less: current portion	<u>(5,376)</u>
Obligation under capital lease, net of current portion	<u>\$ 6,595</u>

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, 2021 or 2020. 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>2021</u>	<u>2020</u>
Range 1	\$ 3,000	\$ 39,000
Range 2	105,000	163,000
Range 3	638,000	1,238,000
Range 4	470,000	1,192,000
Special Opportunity	884,000	-
Phase Zero awards	-	2,000
Seed grants	23,000	48,000
TechStart grants	2,000	2,000
Development awards	374,000	577,000
Cluster awards	778,000	1,629,000
Business Accelerator grants	18,000	18,000
Bridge loans and notes	<u>505,000</u>	<u>1,015,000</u>
	<u>\$ 3,800,000</u>	<u>\$ 5,923,000</u>

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>
Range 1	\$ 35,000	\$ 37,200
Range 2	25,000	-
Range 3	670,000	250,000
Range 4	<u>1,450,000</u>	<u>-</u>
	<u>\$ 2,180,000</u>	<u>\$ 287,200</u>

8. Contingencies

The Institute is involved in potential investigations and claims arising in the normal course of business. Management estimates that any potential liabilities arising from these investigations and claims are within insurance coverage limits and the outcomes will be resolved without a material adverse effect on the Institution's financial position or results of operations. Management has not recorded any liabilities or insurance recovery receivables related to these investigations.

9. Other Fiduciary Funds

The Institute holds the assets and has direct administrative involvement for two custodial fiduciary funds, MTAF and MMEJB (collectively, the Funds). 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.

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 amount of \$45 million was earmarked for awards to be made by MTI. In 2018, the Institute launched the program (MTAF 2.0) and awarded the funds. In April of 2018, \$25 million in bond funds were received from the State of Maine, with the remainder to be transmitted at a later date.

During 2021, MMEJB was funded after approval by voters to facilitate the growth of marine businesses and commercial enterprises. The significant accounting policies related to the Funds are outlined below.

*Basis of Accounting*

The Institute follows the accrual basis of accounting as set forth by GASB.

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2021 and 2020

### *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. Cash and cash equivalents are held with banks as outlined in Note 1 for the institute.

### *Refundable Advances*

The fiduciary fund programs are funded by the State of Maine bond funds. 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.

### *Grant Commitments*

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

	<u>2021</u>	<u>2020</u>
MTAF Awards	\$ 6,963,000	\$ 14,759,000
Marine Jobs Bond	<u>464,000</u>	<u>1,070,000</u>
	<u>\$ 7,427,000</u>	<u>\$ 15,829,000</u>

## 10. Uncertainty

On March 13, 2020, the U.S. government declared a national state of emergency as a result of the global pandemic of COVID-19. Efforts were taken by national, state, and local governments to manage the spread of COVID-19, which included the temporary shutdown of businesses in many sectors and imposing limitations on travel and the size and duration of group meetings. While these mandates have gradually become less restrictive during the fiscal year 2021, most industry sectors are still experiencing disruption to business operations and may experience further impacts related to volatility in operations, investment returns, and reduced philanthropic support. Significant uncertainty still surrounds the duration of the pandemic and operational adjustments that must be made to accommodate guidance from the Center for Disease Control and Prevention, the potential economic ramifications, and further government actions to mitigate them. Therefore, management is not in a position to reasonably estimate the full financial impact and duration.

## MAINE TECHNOLOGY INSTITUTE

## Statement of Activities

Year Ended June 30, 2021

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Expense and Changes in Net Position</u>
Business-type activities	\$ 10,702,919	\$ 395,676	\$ 9,877,681	\$ (429,562)
Total	<u>\$ 10,702,919</u>	<u>\$ 395,676</u>	<u>\$ 9,877,681</u>	<u>(429,562)</u>
General revenues				
Unrestricted interest and investment earnings				542,480
Other income				<u>101,323</u>
Total general revenues				<u>643,803</u>
Change in net position				214,241
Net position, beginning of year				<u>1,926,562</u>
Net position, end of year				<u>\$ 2,140,803</u>



MTI is committed to serving the wide-ranging innovation needs of Maine businesses and entrepreneurs. MTI plans to continue as a leading-edge organization 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.



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