

MAINE STATE LEGISLATURE

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ANNUAL REPORT 2022





True Fin, formerly Gulf of Maine Sashimi, provides fully traceable seafood to restaurants, retailers, and home chefs. Their ocean-to-plate business has stitched together the traditional fragmented seafood supply chain and the result is good for customers, the ocean, and coastal communities.

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A MESSAGE FROM MTI'S PRESIDENT

I am deeply honored to lead the Maine Technology Institute (MTI), Maine's unique public-private partnership that helps catalyze innovation in the State of Maine. This past fiscal year, ending June 30, 2022, was another busy one for the organization. In addition to allocating our core annual appropriation to help Maine's entrepreneurial-minded dreamers and doers create new and innovative products, we were given the responsibility of helping to stabilize and grow several Maine industrial sectors that had been adversely impacted by the global pandemic. We also created a new MTI support program called the Maine Entrepreneurial Resource Corps, and added some new and impressive talent to our staff as well as to our volunteer force of subject matter experts.

Each year, MTI is required to report on its annual activity and impact. After reviewing the organization's data and achievements from the past year, I am extraordinarily pleased to present this year's annual report. The data revealed the following:

MTI made 120 awards from its core funding program. Those awards totaled \$6.89 million and leveraged \$45.8 million in private sector matching funds. For some context, in FY21 MTI made 123 awards for \$7.4 million, and in FY20 it made 113 awards for \$9.6 million. So, it was another busy year for MTI's small but mighty staff, its contractors and subject matter experts, as well as its Board of Directors.

In addition to managing our core funds, MTI was also asked to assist the State of Maine as it worked to distribute approximately \$1 billion in federal discretionary American Rescue Plan Act funding as part of the Maine Jobs & Recovery Plan (MJRP). The MJRP made substantial investments in economic development, worker attraction and training, affordable housing, health and human services, and higher education, to name just a few.

MTI was specifically involved in three sector related MJRP buckets of funding in FY22. First, MTI managed \$20 million for "one-time grant

funding for economic recovery and development opportunities in the forest products industry.”

Working collaboratively with the Maine Department of Agriculture, Conservation and Forestry and the Maine Department of Economic & Community Development, we



developed programming to help achieve the objectives of the legislation. In the fall of 2021, we launched Phase 1 of the Forestry Recovery Initiative and made

224 awards totaling \$6.2 million to provide financial relief to forest products industry businesses that have experienced negative impacts from the COVID-19 pandemic to help them sustain the viability of their business.

A second phase of the Forestry Recovery Initiative launched in the fall of 2022 with a goal to improve market opportunities for Maine timber, as well as promote forward-looking forestry projects that will help advance the long-term stability of the forestry industry.

In FY22, MTI also collaborated with the Maine Department of Marine Resources to make



107 awards through the Seafood Dealers and Processors Program (SDPP) totaling \$15.3 million. The awards will help enterprises engaged in Maine’s iconic seafood industry weather the pandemic-related challenges associated with supply chain issues and other adverse market conditions.

And, finally, the MJRP included meaningful allocations to support innovation, including \$39.6 million to help address revenue losses in Maine small businesses and high growth enterprises. To deploy that funding, MTI created the Pandemic Recovery for an Innovative Maine Economy (PRIME) Fund.

The PRIME Fund will award grants in three phases. Phase 1, which was completed in August 2022, focused on direct support to businesses who suffered negative impacts

from the pandemic. More than \$23 million in awards were associated with PRIME Phase 1 and, while they were technically made in FY23 given that our new fiscal year commenced on July 1, most all of the project work occurred in FY22.

The PRIME Ecosystem Program, of which approximately \$5 million will be available, will target public-private partnerships that support and bolster Maine’s innovation economy, launched in the fall of 2022. Future phases of PRIME are still under development and likely won’t launch until early 2023. There will be approximately \$11 million available for future phases.



So, again, FY22 was a busy one for the MTI team. Between our core innovation fund, the Forestry Recovery Initiative, and the Seafood Dealers & Processors Program, we deployed over \$28.5 million across nearly 450 Maine entities. Almost an equivalent amount of funding was deployed in early FY23 in PRIME funding.

MTI is proud to help play a role in helping to diversify and grow Maine’s economy by supporting, sustaining, and growing innovative organizations in the State of Maine. We look forward to another busy and productive year in FY23.

I hope you enjoy reading and reviewing the annual report of the Maine Technology Institute.

Best,

Brian

Nyle Systems

INNOVATIVE MANUFACTURING
COMPANY HELPS CUSTOMERS TRANSITION
TOWARDS A MORE SUSTAINABLE ENERGY SYSTEM

Multiple Awards | \$568,000

Nyle Systems is on a mission to help the world shift from fossil fuel to cleaner energy by electrifying commercial and industrial processes. Nyle focuses on three core markets: lumber drying, food dehydration, and heat pump water heating. Based in Brewer, Maine, Nyle designs, develops, manufactures, and sells energy-efficient products that reduce energy costs for drying by 40% to 60%.

After Nyle patented the XDH Dehumidification system in 1978, their product line expanded to include gas-fired kilns, conventional kilns, heat treaters, and industry-leading controls. Nyle's food drying systems originally started with equipment to dry pet food and ready-to-eat meal ingredients. The company has since developed a line of energy-efficient dehumidification dryers for different needs in the food market. As an industry leader in heat pumps, Nyle's water heating systems are not only environmentally friendly but also cost-efficient.

With financial help from MTI, Nyle completed several key projects that aligned with their mission. In 2011, they received a \$25,000 seed grant from MTI that enabled the development of a commercial heat pump water heater. Funding from MTI was essential to help the company build larger capacity heat pumps for larger buildings such as hotels, apartment buildings, and dorm rooms. In 2019, an additional \$25,000 seed grant helped update controls for the residential water heaters.

Additionally, Nyle saw an increased demand for lumber drying kilns during the pandemic. Although it was good for business, it also meant the company needed to expand its operations. In 2020, a \$142,981 grant from MTAF 2.5 enabled this much-needed expansion.

In 2010, they only had 12 full-time employees but have since grown to 104. By 2027, they expect to hire 200 additional full-time employees.

Ton Mathissen, Founder and CEO of Nyle, credits part of the company's success as being a Maine-based organization. With support from the Maine community and financial funding from partners like MTI, Nyle continues to make products that help customers transition to more energy efficient systems.



Nyle is just getting started. The company has been doubling every three to four years and is accelerating."

Ton Mathissen
Founder and CEO

12
full-time employees
in 2010

104
full-time employees
in 2022

200
additional employees
expected to hire by 2027

In July 2021, the Maine Legislature enacted the Maine Jobs & Recovery Plan, Governor Mills' proposal for allocating the more than \$1 billion in federal discretionary funding associated with the American Rescue Plan Act of 2021. The new law took effect on October 18, 2021.

The Maine Jobs & Recovery Plan included meaningful allocations to support innovation. It included consequential investments that 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 included the following funding related to innovation:

MTI will administer \$20 million (\$10M in each of the next two years) for "one-time grant 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 and Maine Department of Economic & Community Development to develop programming that will help achieve the objectives of the legislation.

In March 2022, MTI announced over \$6 million in grant awards to 224 recipients of Forestry Recovery Initiative Phase 1 funding. Of those companies being awarded grants, 83% have ten employees or fewer, and 80% are in Aroostook, Penobscot, Somerset, Oxford, or Piscataquis counties. The average award is approximately \$27,000. Phase 2 of the Forestry Recovery Initiative, with \$14 million in funds available, launched in fall of 2022.

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." This funding will be deployed in several phases to provide both direct aid to businesses as well as strategic investments to support economic resiliency.

MTI created the Pandemic Recovery for an Innovative Maine Economy (PRIME) Fund, to allocate the \$39.6 million in innovation funding from the Maine Jobs & Recovery Plan. PRIME will meet the state's mandate of supporting and leveraging private investments in research, development and innovation in the state's technology sectors. Phase 1 of the PRIME Fund opened in April 2022 and awards were announced in July 2022 (FY23). The PRIME Ecosystem program launched in the fall of 2022, and will disburse approximately \$5 million to support new entrepreneurial support programs developed by public-private partnerships in the state. Future phases of the PRIME fund will be deployed in early 2023.



The Maine Jobs & Recovery Plan also provides \$10 million in “one-time funding 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 collaborated with the Maine Department of Marine Resources (DMR) to deploy this funding in a manner consistent with the legislative mandate.

In April 2022, MTI began accepting applications for the Seafood Dealer and Processing Program (SDPP) on behalf of DMR. This program will deploy approximately \$16M in federal funding, including \$10M from the Maine Jobs & Recovery Plan. SDPP is designed to bolster Maine’s wholesale seafood dealer and processor businesses which sustained negative impacts from the COVID-19 pandemic. Funds are intended to be used to address issues such as payroll costs, rent or mortgage payments for business facilities, purchasing personal protective equipment, market disruptions, and other business-related expenses. Ultimately, in June 2022, MTI and DMR made 107 awards totaling approximately \$15.3 million.

MTI Adopts DEIB & Quality Jobs Commitments

When MTI was asked to develop a competitive innovation funding program as part of the Maine Jobs & Recovery Plan, we were tasked with doing so while also making sure the program embodied the core concepts and priorities outlined in the Maine Economic Development Strategy 2020 – 2029 as well as the subsequent Economic Recovery Committee Recommendations. Both the Economic Development Strategy and the Economic Recovery Committee (ERC) recommendations prioritized a greater focus on diversity, equity, and inclusion. Specifically, the Economic Development Strategy stressed that “we work deliberately with all minority groups to ensure equitability in access and engagement” and further noted that “diversity is critical to growth.” The ERC recommendations specifically emphasized “making Maine more welcoming of immigrants, supportive of the success of entrepreneurs who are people of color, Native Americans, and women, and attractive to remote workers.”

Over the past year, MTI has undertaken a deliberate effort to better understand how to implement diversity, equity, inclusion and belonging (DEIB) practices into its own operations and foster greater DEIB practices within the Maine entrepreneurial ecosystem and, more specifically, in the companies that it funds. MTI is also committed to helping companies create high-quality positions. It is in that vein that the MTI Board recently adopted commitments to diversity, equity, inclusion, and belonging (DEIB) and quality jobs. Both guidelines have been incorporated into the scoring rubric for MTI’s Pandemic Recovery for an Innovative Maine Economy (PRIME) Fund. They will make-up approximately 20% of the total score.

Key Events & Happenings

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

Almost Half of Them Are MTI Portfolio Companies



In August 2022, Mainebiz featured a story highlighting the twelve Maine companies that made Inc. Magazine’s 2022 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.

Twelve Maine organizations made the prestigious list. Almost half of them—Origin in Farmington; SaviLinx and STARC Systems of Brunswick; and Tilson Technology and Sea Bags of Portland—are MTI portfolio companies. Being a portfolio company signifies that the entity has received some level of funding or assistance from MTI over the course of their business journey.

After Two-Year Pause, Maine Science Festival Returns

Sponsored in part by MTI, the Maine Science Festival brings Maine science to the public by showcasing national and world leading science by the Mainers who do it. Each March, the Bangor festival features more than 70 events for all ages.



Biome Student Showcase: Promoting Visionaries

The Bioscience Association of Maine (BioME) offers Maine high school and college students an opportunity to share their life science research. Sponsored in part by MTI, this event is designed to “support innovation and commercialization of student ideas in Maine, as well as connect current students with potential future employers and entrepreneurial resources in the state.” The competition features two categories—one for students in grades 9–12, as well as one for undergraduate and graduate college students.



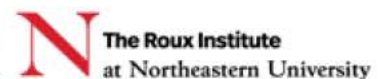
Maine Start Summit: Lowering Barriers for Aspiring Founders

The Roux Institute in partnership with Thomas College presents the Maine Start Summit designed to help startup-curious individuals learn how to build and pitch a successful business. The periodic event consists of four, three-day-long hackathons and kicks-off with a keynote speaker. Participants attend workshops focused on the process of formulating ideas, as well as building and pitching successful businesses. Teams have an opportunity to build out their ideas, develop prototypes and pitch for cash prizes at the conclusion of the summit.



Roux Institute Offers Founder Residency Program

The Roux Institute’s Founder Residency is designed to support early-stage and underrepresented founders in high-growth technology fields. The program aims to help early-stage founders develop their ideas, find product-market fit and harness outside resources.



More specifically, the year-long program includes “access to curated programming, mentorship, joint research opportunities, a network of expert advisors, and a peer community” in conjunction with a living stipend provided by the Roux Institute. Participants in the residency program will also have opportunities to connect with experts in Artificial Intelligence, Computational Medicine, Data Visualization, and Advanced Manufacturing.



Bioscience Business Accelerator Program

The Maine Center for Entrepreneurs (MCE) has a new, 4-month accelerator program called *BioStartup*. The program was developed for Maine biotech, digital health, life sciences or medical device entrepreneurs who have confirmed technology feasibility or viability, received or applied for Intellectual Property, have a prototype, and are ready to start or grow their business. *BioStartup* offers participants an opportunity to gain industry expertise, network with specialists, access professional resources, and collaborate with partners. As part of the growth and visibility process, participants will be given a platform with which to showcase their products to potential investors, business leaders and journalists.

MxG: Supporting Maine Innovators

Maine Accelerates Growth (MxG) was founded in 2015 to advance Maine’s entrepreneurial ecosystem through funding, collaboration and networking. It helped fund a number of projects such as the Innovate for Maine Fellows Program, the Top Gun Pitch Competition, and other innovation challenges. Sponsored by MTI and the Department of Economic and Community Development (DECD), MxG was re-established in 2020 to work in conjunction

with the state’s Economic Recovery and 10-Year Development plans. This dynamic network of



organizations meets monthly to focus on strategic initiatives. By sharing expertise, amplifying successes, and seeking best practices, MxG aims to address issues, support innovators, and create an inclusive entrepreneurial ecosystem statewide.

Greenlight Maine Season 7: Promoting Maine Innovators

Greenlight Maine is “a series that highlights innovative small business owners in a competitive format.” The show provides a platform for Maine entrepreneurs to pitch their businesses to a panel of judges throughout each season, compete for cash prizes, and take their products and services to the next



level. Greenlight Maine shines a light on Maine’s diverse business community, championing the visionaries who are influencing the state’s economic future.

One of MTI’s Investment Officers, Bianca Kowal served on the panel of judges. MTI is pleased to be an ongoing Greenlight Maine sponsor.

Greenlight Maine College Series: A Path to Possibilities

Student entrepreneurs from Maine’s colleges and universities compete for cash prizes in the Greenlight Maine’s College Series. The episodes air on Maine Public. The College Series provides aspiring students a platform to present fresh ideas, start businesses and create jobs in Maine, thereby boosting the state’s innovation economy. Greenlight Maine is a “collaboration of entrepreneurs and corporate leaders, designed to promote and mentor the development and growth of business in our great state.”



In addition to the College Series, it also features

a Head-to-Head Series with cutting-edge entrepreneurs as well as the Elevating Voices Series which spotlights racially diverse businesses and the significant role they play in Maine's business community. MTI is pleased to be an ongoing Greenlight Maine sponsor.

**Big Gig Pitch-Off Finale:
Boosting Maine Economic Growth**

Maine entrepreneurs pitch their innovative, early-stage businesses or business ideas to an audience and a panel of judges for the opportunity to win \$5,000 in the Big Gig Finale. Following each of the four pitches, the audience and judges will cast votes to determine which participant will carry off the win and take home the \$5,000 prize. Big Gig is a partnership between municipalities, universities, and organizations in Maine who strive to "create a supportive network and to bring positive change and economic growth to our communities" by collaborating with innovators and entrepreneurs across the state. MTI is proud to be an ongoing Big Gig sponsor.



**Top Gun Showcase 2022:
Advancing Maine's Entrepreneurs**

Administered by the Maine Center for Entrepreneurs (MCE), the Top Gun accelerator program is "designed specifically for the entrepreneur with a desire to grow his/her business and achieve long-term success through the use of the right tools, resources, and related mentorship." MTI has been an ongoing Top Gun supporter since its inception in 2009 and applauds the program for the positive impact it has had on Maine's innovation economy.

In May 2022, the 2022 Top Gun finalists pitched their businesses to a panel of experts. This event presents an opportunity for all attendees to learn about innovative technologies and unique products developed in the state,

as the five Maine-based entrepreneurs compete for a chance to win the \$25,000 grand prize, courtesy of MTI.

**Maine Innovation Economy
Advisory Board Reconstituted**

In late April, Governor Mills made 20+ appointments to the Maine Innovation Economy Advisory Board (MIEAB). This board, and its reconstitution and reinvigoration, was one of the priority recommendations contained in Maine's 10-year Economic Development Strategy and the subsequent Economic Recovery Committee recommendations. MIEAB is an impressive list of Maine leaders from the private sector, non-profit research institutions, UMaine System, our private colleges and universities, biomedical and marine research labs, and individuals with finance and venture capital experience. MIEAB's primary responsibilities include, developing the State's five-year innovation action plan, as well as monitoring and reporting annually on the state's progress against the goals and tactics in the plan. MIEAB also serves as the State's EPSCoR Steering Committee and generally provides advisory to policy makers on all things related to our innovation economy. The first meeting of the new board was convened on May 26.

**MTI Becomes Member of Immigrant
Welcome Center Coworking Space**

To continue to maximize its outreach into traditionally underserved communities, MTI recently became a member of the Immigrant Welcome Center coworking space. MTI will have access to a floating desk and conference space throughout the year and expect to hold regular office hours to assist new Mainers with information about MTI, its funding, and services.



Singing Pastures

PRACTICING REGENERATIVE AGRICULTURE
AND LAUNCHING A CONSUMER BRAND

Grant | \$20,800

John Arbuckle, a 9th-generation farmer originally from Illinois, along with his wife Holly moved to Maine in 2018 to lay down roots and expand their farm business. After farming in Missouri for 8 years they relocated their pasture-raised pork farm to a former dairy farm that they named Singing Pastures.

When John and Holly began farming, they discovered that most farming in the US was now large, industrial confinement operations. These factory farms create problems for human health, animal welfare, and the environment.

John and Holly chose to go back to raising animals like our ancestors, on green grass without growth stimulants, antibiotics, and GMOs. They learned about and began practicing regenerative agriculture, finding it ideal to promote healthy soil and restore and revitalize ecosystems that improve the planet. Their pork is certified pasture-raised and free from antibiotics, hormones, and Ractopamine (a pharmaceutical often given to pigs to increase weight gain).

In addition to selling their pork to wholesalers and white-label customers, the Arbuckles have developed their own branded product line. Their first product, Roam Sticks, is like artisanal Slim Jims. These are convenient, healthy, 100% pasture-raised pork sticks that are naturally fermented and then slow-smoked with real hickory wood.

During the pandemic, they lost their largest white-label customer, this pushed them to move their attention back to the consumer packaged goods market. Through a grant from MTI in 2019, they completed important market research on market size, a competitive review, and customer insights.

After winning a Value-Added Producer Grant through the USDA their customer research guided them to a more successful marketing campaign that fueled their growth. They saw 10x growth in their revenues from 2020 to 2021.

100%

pasture-raised meat certified by the American Grassfed Association

0

synthetic nitrates, corn syrup, trans fats, MSG, artificial flavors, colors or preservatives included in Roam Sticks



We are very grateful for the support we have received through MTI, and other organizations in Maine, that have been instrumental to the growth of our farm and brand.

John and Holly Arbuckle
Founders

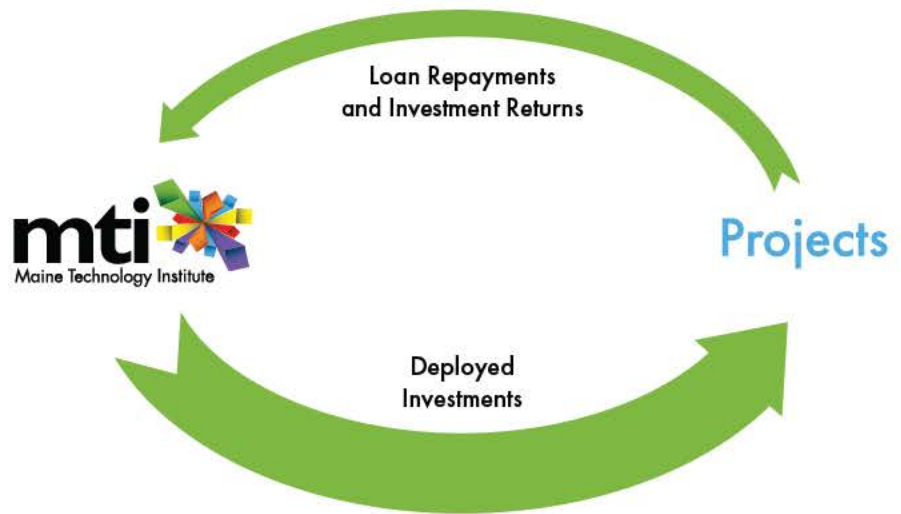
MTI FY22 Funding Report

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

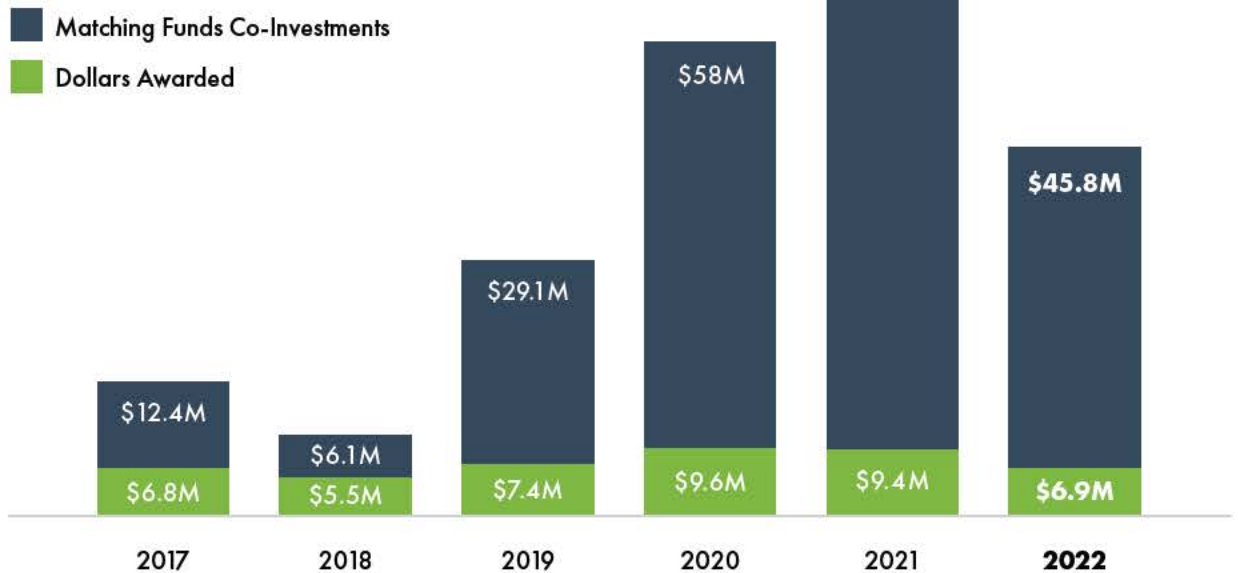
- \$6.9M**
Deployed

- 120**
Distinct Projects

- \$45.8M**
Private Sector Match



Total Dollars Awarded/Matched by Year



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 FY22, MTI invested in businesses within all seven of these targeted sectors, helping to create a more vibrant and diversified economy.

Sector	No. Awards	Amount
Aquaculture & Marine	25	\$ 794,624.00
Biotechnology	12	\$ 1,230,925.00
Composite Materials	4	\$ 76,000.00
Environmental Technology	10	\$ 824,800.00
Forestry & Agricultural	8	\$ 983,645.00
Information Technology	47	\$ 2,363,629.00
Precision Manufacturing	10	\$ 393,921.50
Economic Development	4	\$ 218,500.00
Total	120	\$ 6,886,044.50

Awards by Range

Range	No. Awards	Amount
Range 1	39	\$ 797,589.50
Range 2	20	\$ 660,026.00
Range 3	25	\$ 2,502,555.00
Range 4	2	\$ 433,749.00
SBIR	3	\$ 13,925.00
Special Opportunities	6	\$ 1,740,000.00
Sponsorships	23	\$ 238,200.00
Clean Energy Challenge	2	\$ 500,000.00
Total	120	\$ 6,886,044.50

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.

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 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.

Bourgeois Guitars

AUTOMATED TECHNOLOGY SOLVES
OPERATIONAL ISSUES FOR MAINE WORKSHOP

Multiple Awards | \$354,000

50%

faster operational performance
using automated technology



MTI has been a key player in helping Dana Bourgeois turn his dream from a single guitar built by hand in his Bowdoin College dorm room, into the internationally celebrated authority in high-end acoustic guitar innovation and construction it is today.”

Christopher Fleming
President and C.O.O.

For over 45 years, Bourgeois Guitars, LLC has handcrafted high-end, steel-string acoustic guitars. Combining impeccable craftsmanship with a system of hand voicing, founder Dana Bourgeois and his team create guitars for some of the most renowned artists around the world. Bourgeois has operated in Maine for over 20 years and currently builds about 400 guitars annually.

It can take even the most experienced worker several hours to perform certain complicated operations, such as correctly profiling a fretboard surface and analyzing fret heights at various points, Bourgeois has been searching for automated solutions to a few of the more complex operations in their guitar-building process.

For manufacturers like Bourgeois who were looking to meet increased demand, the Plek machine was the ideal solution. Plek can perform operations in half the amount of time and to a higher degree of accuracy. Previously, there were only 26 Plek machines in the United States, one in the New England region, and 54 in the world.

With the help of MTI’s Core Grant, Bourgeois successfully procured this innovative machine that can help optimize every element contributing to a guitar’s playability. With this automated manufacturing system, Bourgeois can move forward with its growth plans to triple production. Recently, they expanded their manufacturing footprint from 9,000 square feet to 12,500 square feet. They plan to build a new production facility in the Lewiston-Auburn area and expect it to be operational in 2024. By 2029, Bourgeois plans to double its workforce from 32 to 60 full-time, benefited workers.

Bourgeois is more than just a company, it is a state treasure. With MTI’s continued support, Bourgeois now shares the spotlight with some of the world’s most well-known acoustic guitar brands and Maine rightfully gains international recognition as the center of America’s maker economy.



Other Programs

\$1.9M

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 startups or to less experienced teams is access to network contacts and mentorship support from seasoned 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 and Small Business Technology Transfer (SBIR/STTR) programs provide over \$4 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, critical technical editing services, government accounting assistance, as well as access to experienced commercialization expertise, market researchers, a biotech consultant, and a technology management professional.

Summary of awards to Maine companies receiving TAP assistance

Company	Agency/Phase	Amount	YEAR
Maine Shellfish Developers	NSF Ph I Resub	\$ 256,000	2021
Atlantic Corporation	USDA AFRI	\$ 625,000	2022
FPN, LLC	NOAA SBIR Ph I	\$ 150,000	2022
Johnny's Seeds	USDA SBIR Ph II	\$ 600,000	2022
Ocean's Balance	NOAA SBIR Ph I	\$ 150,000	2022
One Dot Solutions	ERDC CSO	\$ 0	2022
Compotech	DOD Army Ph I	\$ 250,000	2022
Compotech	DOD Army Ph I	\$ 125,000	2022

- MTI is actively working with five FY22 applicants to submit federal grant proposals with a potential award value of \$4.3M
- SBIR Discovery—we've also worked with 20 companies that did not advance to Active Management (submitting a proposal)



“MTI’s investment in the market demand study in 2018 was instrumental in increasing awareness inside and outside of Maine that the state was interested in participating in the new space economy, and equally important, in doing so by creating a space complex. This investment changed the conversation from WHY MAINE?? to WHY NOT MAINE!! We greatly appreciate MTI’s confidence in us and in taking the leap to continue its investment in the complex’s strategic plan and the current effort to recruit businesses, address workforce development needs of the new space economy and conduct additional outreach.”

Terry Shehata Ph.D. Director, NASA Maine Space Grant Consortium

“We are so incredibly lucky to have an organization like MTI supporting small business growth in Maine.



Our baby company would be nowhere near the scale that it is today without their support and guidance”

Jocelyn Olsen
Co-founder, Hüga Heat

“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,
Standard Biocarbon

Growth



“As a first-time founder of an early-stage startup, I can say with all sincerity that MTI has been vital in our growth over these past years. Their funding and guidance has opened key doors that allowed us to not only build, sell, and expand but to also become a credible force in the state of Maine and beyond.”

Amy VanHaren
CEO and Founder,
Pumpsporting

Innovation

“MTI has been foundational to DuraBike’s success. MTI’s support of MCE’s Top Gun program, their 50/50 grant funding programs and network of resources have all been key to DuraBike’s development.”

Brenden Westin
Founder, DuraBike

“MTI has been critical to the development and evolution of True Fin. We are very fortunate in Maine to have MTI as a resource committed to developing and growing business in the state, and supporting nascent companies with financial support and expert business counsel.”

Jen Levin
President & CEO,
Gulf of Maine Sashimi

Support

Peaks Renewables

CONVERTING COW MANURE
INTO RENEWABLE ENERGY

Grant | \$100,000

28,000

metric tons—the estimated amount of carbon dioxide the Peaks facility will avoid emitting

130,000

mmbtu—the estimated amount of renewable natural gas production expected per year



I am appreciative of the support our project has received from the Maine Technology Institute. MTI has been a critical partner in helping to deliver this innovative solution to our climate challenge, and we're lucky to have a resource like that here in Maine."

Angus King III
President

A Renewable Natural Gas facility located in Clinton, Maine has the potential to create home-grown renewable natural gas and help support the Maine dairy industry. Peaks, a subsidiary of Summit Inc., is building an anaerobic digester that will utilize dairy cow manure from local Maine farms and convert it to renewable natural gas.

RNG, also known as biomethane, is derived from the decomposition of naturally occurring organic waste at farms and landfills. If not captured and reused, it would be released into the atmosphere in the form of methane—one of the most potent greenhouse gases.

On July 6, 2022, Peaks broke ground on the digester, and soon they'll work with six Maine-based, family-owned dairy farms that will supply the manure. Once in the digester, the manure will be heated and decomposed, creating biogas. The gas will then be cleaned, making it pipeline quality. The gas itself will be purchased by Peaks' affiliate company, Summit Natural Gas (SNGME), and used to provide reliable gas service to its thousands of customers throughout the state. RNG is functionally identical to traditional natural gas and can be used for heating, cooking, and other processes.

After Peaks takes "the energy" from the manure, it will return the nutrient-rich, liquid effluent back to the farm for their fields as well as dry matter for compost and bedding.

MTI supported Peaks through the engineering, design, and construction of the dairy digester, the first of its kind in Maine. The project opened the door for Summit to be a leader in the development of zero-carbon fuels and drive innovation in the energy sector. The facility is expected to produce the equivalent of about 45 percent of SNGME's residential demand.



Active MTI Collaborations, Affiliations and Partnerships



Partnerships To Promote Maine's Innovation Economy

23
sponsorships
awarded worth
\$238K+

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

Looking Ahead to FY23

MTI Working to Offer New Business Accelerator for Underserved Entrepreneurs

In August of 2020, MTI engaged in a series of community discussions to get input into its proposed plan to distribute ARPA funding. Several of those sessions were focused on the needs of Black, Indigenous, and People of Color (BIPOC) communities and entrepreneurs. One of the clear takeaways from our conversations with the BIPOC communities was that MTI's 1-1 matching funds requirement presented an almost insurmountable barrier to accessing funding. Also, deep community connections were necessary to bridge the digital, language, and knowledge divide. To address the financial barrier, we discussed a potential collaboration with philanthropic organizations where they would help seed a fund to provide a matching grant for BIPOC, women, and rural entrepreneurs otherwise eligible to receive ARPA funding.



MTI also examined what other states were doing to help accelerate or restart the economic engines in underserved communities. Our search led us to the successful EforAll program, based in Massachusetts, whose mission is to accelerate economic and social impact in communities nationwide through inclusive entrepreneurship.

EforAll serves historically excluded and underserved communities and offers its programming for free to participants. EforAll has demonstrated success driven by deep community engagement and its model is part community economic development and part business accelerator.

MTI has made a three-year sponsorship commitment and will work to get the financing in place, flesh out the program parameters, and line up partners with a goal of launching the first Maine EforAll cohort in 2023.

Seagrass Conference

In September 2022, Maine hosted the international Seagrass Conference USA 2022, the leading conference for the Seaweed industry. The conference gathered top speakers, who shared their know-how within seaweed for feed, food, offshore cultivation, biorefinery of seaweed and more. The two-day program combined plenary sessions with interactive poster presentations, trade shows and debate sessions. The Maine edition—the first ever in the US—was an opportunity to highlight the great industry support, innovative businesses, research, and collaborations in Maine's seaweed sector. MTI was a leading sponsor, along with the Maine International Trade Center, the Maine Department of Economic & Community Development, and the Maine North Atlantic Development Office. Over 300 participants attended from around the globe.



Life Sciences RFP Released

In August 2022, MTI, in partnership with the Maine Department of Economic & Community Development (DECD), issued a request for proposals to attract applicants for at least \$750,000 in grant funding to help establish a private-sector-led life sciences laboratory and incubator, where nascent biotechnology and life sciences firms may access shared lab spaces and office infrastructure to help them start and scale their enterprises.

MTI sought a qualified organization with a successful track record of developing and implementing such a facility.

A final award decision was expected in fall 2022.

Grow Maine Program

Grow Maine will provide up to \$62 million of State Small Business Credit Initiative (SSBCI) funding to eligible Maine businesses. Funding



will be available through FAME and its intermediary partners via loan guarantees, direct loans, and equity capital. SSBCI is a federal program administered by the U.S. Department of the Treasury that was created to strengthen state programs that support private financing to small businesses. MTI is an approved partner with FAME on the deployment of the SSBCI funds.

Maine Entrepreneurial Resource Corps Launched

In September 2022, MTI fully launched the Maine Entrepreneurial Resource Corps (MERC) program. After spending months designing the program, building the database, hiring a program coordinator, designing legal documents, and conducting beta tests, the program is now operational and accepting applications.

Forestry Recovery Initiative 2 to Open in September

Phase 2 of the Forestry Recovery Initiative (FRI-2) program is set to open in September 2022. During Phase 1 of the \$20 million



program, MTI awarded approximately \$6 million to more than 220 Maine entities. The remaining \$14 million will be available for Phase 2. FRI-2 is specifically focused on supporting strategic projects within the state that address significant challenges and long-

term threats to the industry. These projects will tackle global market shifts in supply and demand, supply chain disruptions and new technologies that impact the growing, processing and use of natural resources. FRI-2 seeks applicants from companies developing new technologies, new markets, and other innovative solutions for the Forestry industry.

PRIME Ecosystem Program Update

In October 2022, MTI opened a \$5 million grant program through the Maine Jobs & Recovery Plan to strengthen Maine entrepreneurs, startups, and small businesses. This is the second round of grants from the Pandemic Recovery for an Innovative Maine Economy (PRIME) Fund, administered by MTI. In August 2022, MTI revealed the first round of PRIME Award recipients, which included nearly \$23.3 million in funding to 174 Maine technology companies to help them recover from the pandemic, invest in new products and business lines, attract new customers, and create long-term economic growth. In this PRIME Ecosystem round, MTI will provide grants to public-private partnerships to spur the development of programs that provide a catalyst for startup companies as they scale and grow in the state.

Organization



Brian Whitney
President



Abigail Naana Osei
Investment Officer



Greg Lee
Director of Finance and
Administration



Barb Ford
Lending and Grant
Associate



Joseph Migliaccio
Director of Portfolio
Advancement



Bianca Kowal
Senior Investment Officer



Scott Bursey
Senior Investment Officer



Wanda McNeil
Media Manager



Shane Beckim
Senior Investment Officer



Tom Kittredge
Senior Investment Officer



Emily Braley
Maine Entrepreneurial
Resource Corps Coordinator



Lou Simms
Senior Investment Officer

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 Innovation Policy & the Future, 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, five Senior Investment Officers, one Investment Officer, a Director of Portfolio Advancement, one Lending & Grant Associate, one Coordinator of the Maine Entrepreneurial Resource Corps, and one Media Manager. The MTI President is employed by the Maine Department of Economic & Community Development.



INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Maine Technology Institute

Opinion

We have audited the accompanying financial statements of the business-type activities and fiduciary funds of Maine Technology Institute (a component unit of the State of Maine) (the Institute) as of June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Maine Technology Institute and the fiduciary funds of the Institute as of June 30, 2022 and 2021, and the respective changes in the business-type activities position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for twelve months beyond the date that the financial statement date, including any currently known information that may raise substantial doubt thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. GAAP require that the management's discussion and analysis 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 (GASB), 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. GAAS, 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.

Supplementary 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. GAAS. 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 21, 2022

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022 and 2021

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, 2022 and 2021 ("FY2022 and FY2021" or "Fiscal 2022 and 2021"). 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 annually in FYs 2022, 2021 and 2020, from a State of Maine (the State) appropriation through the Department of Economic and Community Development ("DECD") for general programs. During FY2022, \$5.5 million in additional funds was received to administer the Forestry Recovery Initiative. During FY2021, \$610,000 in additional funding was received to administer the Maine Economic Recovery Grant Program and certain expenses. During FY2020, \$10 million in bond funds for the Maine Technology Asset Fund (MTAF) were received.
- During FY2021, MTI's funding was curtailed by \$336,515, due to State needs, and the amount was returned during September of that fiscal year. During FY2022 and FY2020, there was no curtailment.
- In FY 2022, MTI approved 91 projects totaling \$5.2 million, compared to 97 projects totaling \$7.1 million, and 113 projects totaling \$9.8 million in FY2021 and FY2020, respectively. During FY2021, \$2 million in MTAF awards were approved.
- MTI expended \$6.0 million in FY2022 according to agreed-upon project award milestones, versus \$17.1 million and \$23.1 million during FY2021 and FY2020, respectively. During FY2022, core award payments decreased by \$1.1 million from FY2021. During FY2021, core award program payments decreased by \$2.3 million from FY2020. In FY2022, MTAF payments decreased by \$7.9 million and in FY2021, MTAF payments decreased by \$3.3 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.
- In FY2021, MTI's outstanding commitments for its core awards totaled \$4.9 million, including \$1.6 million in approved awards awaiting contract finalization. For FY2021, commitments 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 FY2022, MTAF funds totaling \$5.9 million were committed, with all awards being contracted. For FY 2021, MTAF funds in the amount of \$7.2 million were committed, with \$280,000 awaiting contract finalization. For FY2020, MTAF funds in the amount of \$14.8 million were committed, with all awards being contracted. The Maine Marine Economy and Jobs Bond Fund outstanding commitments for FY 2022 were \$464,000. As of June 30, 2021 and June 30, 2020, commitments for the Maine Marine Economy and Jobs Bond Fund were \$464,000 and \$1.1 million, respectively.
- MTI received \$1.2 million of Development Award repayments during FY2022, compared to \$2.0 million in repayments during FY2021; \$1.2 million was received in FY2020.
- The amount of \$155,000 was realized from interest in FY2022, compared to \$542,000 in FY2021. For FY2020, \$508,000 was received.

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022 and 2021

- 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. FY2022 MTAF operating costs were \$5,100 and paid out of net position. FY2021 MTAF operating costs were \$10,000. FY2020 MTAF operating costs were \$8,900.
- 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 position.
- 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 FY2022, the related expenses were \$75,000. For FY2021 those related expenses were \$66,750. No expenses for this program were recorded in FY2020.
- 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 FY2022, this amounted to a return of \$61,861. For FY2021, this amounted to \$368,000, and it totaled \$400,000 for FY2020.
- FY2022 administrative and operating costs, excluding award payments, were \$1.68 million, representing a slight increase from FY2021. FY2021 costs were \$1.6 million, a decrease of \$300,000 from FY2020. 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 FY2022, 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 FY2022, expenditures were in the amount of \$242,000 and were paid primarily through program funding. During FY2021, \$106,000 was expended and in FY2020, \$196,000. 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.
- 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.
- FY2022's change in net position resulted in a decrease in net position of \$238,000. FY2021's surplus resulted in an increase in net position of \$214,000. FY2020's surplus resulted in an increase of \$27,000.

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022 and 2021

Overview of the Institute

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

The Institute has functioned with a staff of 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’s finances, in a manner similar to a private-sector business.

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

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

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

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022 and 2021

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.

Financial Analysis: 2022 Compared to 2021 and 2020

Net position may serve, over time, as a useful indicator of the Institute's financial position. In the case of the Institute, its assets exceed liabilities by \$1,903,017 on June 30, 2022, compared with \$2,140,803 in 2021 and \$1,926,562 in 2020.

The Institute's financial position, excluding fiduciary funds, as of, and operations for, fiscal years 2022, 2021, and 2020 are summarized below based on information included in the financial statements.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 9,535,949	\$ 9,932,260	\$ 11,291,738
Loans and investments (net of allowances)	9,933,547	10,133,739	9,638,141
Capital assets, net of depreciation	31,255	41,033	76,712
Other assets	<u>161,248</u>	<u>128,075</u>	<u>138,100</u>
 Total assets	 <u>19,661,999</u>	 <u>20,235,107</u>	 <u>21,144,691</u>
 Refundable advances	 17,641,017	 17,936,209	 19,078,472
Other liabilities	<u>117,965</u>	<u>158,095</u>	<u>139,657</u>
 Total liabilities	 <u>17,758,982</u>	 <u>18,094,304</u>	 <u>19,218,129</u>
 Net position, all unrestricted	 <u>\$ 1,903,017</u>	 <u>\$ 2,140,803</u>	 <u>\$ 1,926,562</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.

In FY2022, MTI made one investment in an equity position. 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

MAINE TECHNOLOGY INSTITUTE
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022 and 2021

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.

Refundable advances represent all funding on hand for use in MTI programs. Funding is disbursed according to achievement of milestones by the recipients. As noted earlier, \$4.9 million and \$6.0 million were committed, but not yet disbursed for MTI's core awards at the close of June 2022 and 2021, respectively. MTAF outstanding commitments total \$5.9 million and \$7.2 million at June 30, 2022 and 2021, respectively.

Other liabilities are comprised primarily of accounts and awards payable which, combined, decreased by \$40,000 from 2021 to 2022.

Changes of net position, excluding fiduciary funds, were as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues			
State of Maine funding	\$ 8,480,270	\$ 9,877,681	\$ 14,126,368
Other operating revenues	<u>6,224,011</u>	<u>496,999</u>	<u>362,436</u>
Total operating revenues	<u>14,704,281</u>	<u>10,374,680</u>	<u>14,488,804</u>
Operating expenses			
Program grants	13,363,768	8,755,752	12,857,149
Special grants	224,339	325,871	199,698
Salaries and wages	867,096	832,014	872,764
Other operating expenses	<u>808,095</u>	<u>788,589</u>	<u>1,039,545</u>
Total operating expenses	<u>15,263,298</u>	<u>10,702,226</u>	<u>14,969,156</u>
Net operating loss	(559,017)	(327,546)	(480,352)
Nonoperating revenues, net	<u>321,231</u>	<u>541,787</u>	<u>507,078</u>
Change in net position	\$ <u>(237,786)</u>	\$ <u>214,241</u>	\$ <u>26,726</u>

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MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2022 and 2021

Operating revenues – State of Maine funding reflects MTI’s State appropriations and bond funds received and grants made. The changes in FY2022 and FY2021 reflect the change each year in awards funded.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
State appropriation received	\$ 6,572,814	\$ 6,572,814	\$ 6,572,814
Supplemental funds received	5,484,133	610,000	-
State bond funds received	-	-	10,000,000
Accrual basis accounting effect	<u>(3,576,677)</u>	<u>2,694,867</u>	<u>(2,084,010)</u>
Revenues recognized	<u>\$ 8,480,270</u>	<u>\$ 9,877,681</u>	<u>\$ 14,488,804</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 42% lower in 2022 than 2021. Program grants were 53% lower. Special grants were 31% lower due to decreased Small Business Innovation Research (SBIR) activity. Salaries and wages were 4% higher due to an unfilled vacancy in prior year. Other operating expenses increased by 2% due in part to increased marketing costs. Operating expenses were 25% lower in 2021 than 2020. Program grants were 27% lower to reduced grant payments. Special grants were 63% higher due to increased activity. Salaries and wages were 5% lower due to unfilled vacancy. Other operating expenses decreased by 24% due in part to reduce travel and marketing costs.

Cash Flow Highlights

Cash and cash equivalents decreased \$396,000 between FY2022 and FY2021, primarily due to the disbursement of prior awards. This compares to a decrease between FY2021 and FY2020 of \$1.4 million, primarily due to the disbursement of prior awards.

Looking Ahead

In FY2022, in addition to its core funding program, MTI began administering several new funding buckets associated with the Maine Jobs & Recovery Plan, the State’s roadmap for allocating more than \$1 billion in federal discretionary funding associated with the American Rescue Plan Act of 2021.

The new funding included \$20 million 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.” In collaboration with the Maine Department of Agriculture, Conservation and Forestry (DACF), and the DECD, we launched Phase 1 of

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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what we called the Forest Recovery Initiative (FRI) in FY2022. During Phase 1, we made 211 awards totaling \$5.4 million to provide financial relief to forest products industry businesses. A second phase of the FR1 will launch in FY2023 and will seek to improve market opportunities for Maine timber. We expect to deploy the remaining balance of the \$13.8 million in FRI funding in FY2023.

MTI is also administering \$39.6M 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.” To fulfill this legislative mandate, we created the Pandemic Recovery for an Innovative Maine Economy (PRIME) Fund.

The PRIME Fund will be awarding grants in three phases. Phase 1, whose 174 awards were announced in early FY2023, focused on direct support to businesses who suffered negative impacts from the pandemic. More than \$23 million in awards were associated with PRIME Phase 1 and, while they were technically made in FY2023 given that MTI’s new fiscal year commenced on July 1, most all the project work occurred in FY2022.

PRIME Fund Phase 2, of which approximately \$5 million will be available, will target public-private partnerships and is expected to launch in fall of 2022. Phase 3 is still under development and likely will not launch until late in 2022, early 2023. There will be approximately \$10 million available for PRIME Fund Phase 3. By the end of FY2023, we anticipate that the full \$39.6 million in available PRIME funding will be awarded and expended.

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.” MTI is collaborating with the Governor’s Energy Office to design a program to deploy this funding in FY2023

The MTI team is looking forward to continuing to administer the Maine Jobs & Recovery Plan funding 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.

Maine Entrepreneurial Resource Corps

In the fall of 2022, MTI will launch a new program of assistance to help Maine entrepreneurs and businesses scale their enterprises. This new program, called the Maine Entrepreneurial Resource Corps (MERC), will help match Maine start-ups with reliable, affordable consultants who will assist in addressing critical skill deficiencies on their teams. While small businesses are eager to receive such services, many struggle to find competent consultants and resources to pay for projects. In response to these challenges, MTI’s MERC program will develop a list of vetted consultants in 40+ expertise categories. This information will be utilized to connect Maine start-ups with consultants to help tackle short-term, high-impact projects that will contribute to the company’s long-term growth plan. MTI is committed to paying 50% of approved projects, making it a win-win for the entrepreneur and the resource provider. More information can be found here: <https://www.mainetechnology.org/mti-funding/merc/>

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MTI to Offer New Business Accelerator for Underserved Entrepreneurs

In anticipation of receiving and deploying funding from the Maine Jobs & Recovery Plan (MJRP), MTI engaged in a series of community discussions to get input into its proposed plan to distribute various buckets of MJRP funding. Several of those sessions were focused on the needs of traditionally underserved communities and entrepreneurs. One of the clear takeaways from MTI conversations was that deeper community connections were necessary to bridge the digital, language, and knowledge divide.

In response, MTI began to examine what other states were doing to help accelerate or, in some instances, restart the economic engines in underserved communities. The search led MTI to the successful EforAll program, based in Massachusetts, whose mission is to accelerate economic and social impact in communities nationwide through inclusive entrepreneurship.

EforAll serves historically excluded and underserved communities and offers its programming for free to participants. EforAll has demonstrated success driven by deep community engagement and its model is part community economic development and part business accelerator. That is one of the things that, from MTI’s current viewpoint, makes it very attractive. While MTI is still in the initial stages of this journey, MTI plans to implement EforAll in Maine in early 2023. The organization has made a three-year funding commitment and believes that several philanthropic organizations will also play a primary role in its implementation.

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.

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, 2022 and 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents (Note 2)	\$ 9,535,949	\$ 9,932,260
Other receivables	14,863	29,822
Prepaid expenses	146,385	98,253
Loans receivable - current, net of allowance for loan losses of \$465,914 in 2022 and \$639,983 in 2021 (Note 3)	<u>540,009</u>	<u>1,242,526</u>
Total current assets	<u>10,237,206</u>	<u>11,302,861</u>
Property and equipment, at cost		
Leasehold improvements	39,870	39,870
Equipment	153,982	146,381
Computer software	<u>125,995</u>	<u>125,995</u>
	319,847	312,246
Less accumulated depreciation	<u>(288,592)</u>	<u>(271,213)</u>
Net property and equipment	<u>31,255</u>	<u>41,033</u>
Loans receivable, net of allowance for loan losses of \$8,559,152 in 2022 and \$7,681,051 in 2021, and investments, excluding current portion (Note 3)	<u>9,393,538</u>	<u>8,891,213</u>
Total assets	<u>\$ 19,661,999</u>	<u>\$ 20,235,107</u>

LIABILITIES AND NET POSITION

Current liabilities		
Accounts payable and accrued expenses	\$ 111,368	\$ 146,124
Current portion of other liabilities	5,633	5,376
Current portion of refundable advances	<u>8,247,479</u>	<u>9,044,996</u>
Total current liabilities	8,364,480	9,196,496
Other liabilities, net of current portion	964	6,595
Refundable advances, net of current portion	<u>9,393,538</u>	<u>8,891,213</u>
Total liabilities	<u>17,758,982</u>	<u>18,094,304</u>
Unrestricted net position		
Undesignated net position	978,359	1,211,741
Net investment in capital assets	24,658	29,062
Board-designated (Note 4)	<u>900,000</u>	<u>900,000</u>
Total unrestricted net position	<u>1,903,017</u>	<u>2,140,803</u>
Total liabilities and net position	<u>\$ 19,661,999</u>	<u>\$ 20,235,107</u>

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

MAINE TECHNOLOGY INSTITUTE

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues		
State of Maine funding		
Program grants	\$ 7,357,010	\$ 8,814,139
Administrative grants	901,512	876,336
Matching grants	<u>221,748</u>	<u>187,206</u>
Total State of Maine funding	8,480,270	9,877,681
Royalties	159,421	395,676
Federal grants	6,063,747	99,725
Other income	<u>843</u>	<u>1,598</u>
Total operating revenues	<u>14,704,281</u>	<u>10,374,680</u>
Operating expenses (Note 5)		
Program grants	13,363,768	8,755,752
Special grants	224,339	325,871
Salaries and wages	867,096	832,014
Benefits and payroll taxes	288,263	264,104
Travel	1,699	280
Depreciation	17,379	36,397
Marketing and advertising	77,085	101,724
Consulting fees	12,603	19,638
Other	<u>411,066</u>	<u>366,446</u>
Total operating expenses	<u>15,263,298</u>	<u>10,702,226</u>
Net operating loss	<u>(559,017)</u>	<u>(327,546)</u>
Nonoperating revenues (expenses)		
Investment income	321,677	542,480
Interest expense	<u>(446)</u>	<u>(693)</u>
Nonoperating revenues, net	<u>321,231</u>	<u>541,787</u>
(Decrease) increase in net position	(237,786)	214,241
Net position, beginning of year	<u>2,140,803</u>	<u>1,926,562</u>
Net position, end of year	<u>\$ 1,903,017</u>	<u>\$ 2,140,803</u>

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

MAINE TECHNOLOGY INSTITUTE

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
State of Maine funding	\$ 6,165,841	\$ 8,043,715
Award repayments	1,202,106	1,596,887
Royalties received	159,421	393,688
Other receipts	6,063,115	101,403
Grants paid	(12,060,506)	(9,649,691)
Paid to employees, including benefits	(1,164,684)	(1,084,143)
Paid to vendors	<u>(576,017)</u>	<u>(464,565)</u>
Net cash used by operating activities	<u>(210,724)</u>	<u>(1,062,706)</u>
Cash flows from investing activities		
Loans funded	(2,333,037)	(2,629,605)
Loans repaid	1,231,633	1,958,798
Net investment income received	321,677	540,572
Investments returned (funded)	<u>607,563</u>	<u>(160,000)</u>
Net cash used by investing activities	<u>(172,164)</u>	<u>(290,235)</u>
Cash flows from capital and related financing activities		
Purchase of property and equipment	(7,602)	(718)
Lease obligation payments	(5,375)	(5,126)
Interest payments	<u>(446)</u>	<u>(693)</u>
Net cash used by capital and related financing activities	<u>(13,423)</u>	<u>(6,537)</u>
Net decrease in cash and cash equivalents	(396,311)	(1,359,478)
Cash and cash equivalents, beginning of year	<u>9,932,260</u>	<u>11,291,738</u>
Cash and cash equivalents, end of year	<u>\$ 9,535,949</u>	<u>\$ 9,932,260</u>
Reconciliation of net operating loss to net cash used by operating activities		
Net operating loss	\$ (559,017)	\$ (327,546)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation	17,379	36,397
Provision for loan losses and investment impairment	694,035	337,117
Changes in operating assets and liabilities		
Other receivables	14,959	(1,908)
Prepaid expenses	(48,132)	11,933
Accounts payable and accrued expenses	(34,756)	23,564
Refundable advances	<u>(295,192)</u>	<u>(1,142,263)</u>
Net cash used by operating activities	<u>\$ (210,724)</u>	<u>\$ (1,062,706)</u>

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
Statements of Fiduciary Net Position

June 30, 2022

	<u>Ma ine Tech nology As set Fund</u>	<u>Ma ine Ma rine E co no my and Job Bo nd Fund</u>	<u>To tal</u>
Assets			
Cash and cash equivalents (Note 9)	\$ <u>6,053,951</u>	\$ <u>464,682</u>	\$ <u>6,518,633</u>
Total assets	<u>6,053,951</u>	<u>464,682</u>	<u>6,518,633</u>
Liabilities			
Refundable advances (Note 9)	<u>6,053,951</u>	<u>464,682</u>	<u>6,518,633</u>
Total liabilities	<u>6,053,951</u>	<u>464,682</u>	<u>6,518,633</u>
Fiduciary net position held in fund	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

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
Statements of Fiduciary Net Position

June 30, 2021

	<u>Maine Technology Asset Fund</u>	<u>Maine Marine Economy and Job Bond Fund</u>	<u>Total</u>
Assets			
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>
Liabilities			
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>
Fiduciary net position held in fund	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>

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
Statements of Changes in Fiduciary Net Position

June 30, 2022

	<u>Maine Technology Asset Fund</u>	<u>Maine Marine Economy and Job Bond Fund</u>	<u>Total</u>
Additions			
Program grants (Note 9)	\$ <u>1,492,541</u>	\$ <u> -</u>	\$ <u>1,492,541</u>
Total additions	<u>1,492,541</u>	<u> -</u>	<u>1,492,541</u>
Deductions			
Grant award payments (Note 9)	<u>1,492,541</u>	<u> -</u>	<u>1,492,541</u>
Total deductions	<u>1,492,541</u>	<u> -</u>	<u>1,492,541</u>
Net change	<u> -</u>	<u> -</u>	<u> -</u>
Fiduciary net position held in fund, beginning of year	<u> -</u>	<u> -</u>	<u> -</u>
Fiduciary net position held in fund, end of year	<u><u> -</u></u>	<u><u> -</u></u>	<u><u> -</u></u>

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

MAINE TECHNOLOGY INSTITUTE

MAINE TECHNOLOGY ASSET FUND

Statements of Changes in Fiduciary Net Position

June 30, 2021

	Maine Technology Asset Fund	Maine Marine Economy and Job Bond Fund	Total
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	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position held in fund, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary net position held in fund, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

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/

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

Organization Model, and Scope of Work/Budget. At this point the process may continue with the 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 post-award.

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 programs 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, 2022 and 2021, 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.

Beginning in fiscal year 2022, the Institute began administering several new funding buckets associated with the Maine Jobs & Recovery Plan, the state's roadmap for allocating more than \$1

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

billion in federal discretionary funding associated with the American Rescue Plan Act of 2021. The new funding included \$20 million 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.” In collaboration with the Maine Department of Agriculture, Conservation and Forestry (DACF), and the Maine Department of Economic & Community Development (DECD), the Institute launched Phase 1 of the Forest Recovery Initiative (FRI) in 2022.

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 (U.S. 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 blended component unit, Maine Technology Holdings (MTH). The financial statements also include two fiduciary activities. The accompanying financial statements separately present the statements of fiduciary net position and statements of changes in fiduciary net position for MTAF and MMEJB

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>2022</u>	<u>2021</u>
ASSETS		
Investments	\$ <u>48,539</u>	\$ <u>48,539</u>
LIABILITIES AND NET POSITION		
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 2022 or 2021.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

Use of Estimates

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

Cash and Cash Equivalents

All highly liquid savings deposits and investments with maturities of three months or less when purchased are considered to be cash equivalents.

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 Loan Losses

An allowance for loan 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 loan 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.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

Property and Equipment

Property and equipment is stated at cost. The provision for depreciation is determined by straight-line and accelerated methods to depreciate 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.

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 2022 and 2021 was \$327,219 and \$337,117, respectively.

The Institute has recognized \$172,265 and \$757,800 in 2022 and 2021, 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 \$38,290 and \$35,459 for the years ended June 30, 2022 and 2021, respectively.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

Risk Management

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

Income Taxes

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

Subsequent Events

Management has considered subsequent events occurring through October 21, 2022, the date the financial statements were available to be issued, and determined no additional adjustments or disclosures are required for the financial statements to be fairly stated.

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, 2022 and 2021. The Institute's cash and cash equivalent accounts had bank balances of \$10,171,516 and \$11,189,802 at June 30, 2022 and 2021, respectively. The fiduciary fund's cash and cash equivalent accounts had bank balances of \$6,518,633 and \$8,043,988 at June 30, 2022 and 2021, respectively. Any balance in excess of depository insurance limits would be uncollateralized.

3. Loans Receivable and Investments

The Institute's loans receivable and investments consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Loans receivable	\$ 16,472,537	\$ 16,035,841
Investments in privately-held companies	<u>2,486,076</u>	<u>2,418,932</u>
	18,958,613	18,454,773
Allowance for losses	<u>(9,025,066)</u>	<u>(8,321,034)</u>
	9,933,547	10,133,739
Less current portion	<u>(540,009)</u>	<u>(1,242,526)</u>
	\$ 9,393,538	\$ 8,891,213

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

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 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>2022</u>	<u>2021</u>
Direct program services	\$ 14,214,955	\$ 9,828,326
General and administrative, including nonoperating expense	<u>1,048,789</u>	<u>874,593</u>
	<u>\$ 15,263,744</u>	<u>\$ 10,702,919</u>

6. Liabilities

Other Liabilities

The Institute leased office space under a lease with a one year term expiring September 30, 2022, with an option to renew annually for up to five years. Rent expense is calculated on a square footage basis, excluding certain occupancy charges. Rent expense under the lease was \$32,340 and \$43,780 in 2022 and 2021, respectively. In evaluating the implementation of GASB 87, *Leases*, the Institute evaluated lease terms in determining the value of the right-of-use asset and related liability to be recognized, which represents the noncancellable lease term plus any renewal period that is reasonably certain to be exercised.

Long-term liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30 2022</u>	<u>Current Portion</u>
Refundable Advance	17,936,209	-	(295,192)	17,641,017	8,247,479

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

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, 2022 or 2021. 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>2022</u>	<u>2021</u>
Range 1	\$ 10,000	\$ 3,000
Range 2	176,000	105,000
Range 3	313,000	638,000
Range 4	1,189,000	470,000
Special Opportunity	884,000	884,000
Seed grants	13,000	23,000
TechStart grants	2,000	2,000
Development loan awards	342,000	374,000
Cluster initiative awards	388,000	778,000
Business Accelerator grants	18,000	18,000
Bridge loans and notes	<u>5,000</u>	<u>505,000</u>
	<u>\$ 3,340,000</u>	<u>\$ 3,800,000</u>

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

	<u>2022</u>	<u>2021</u>
Range 1	\$ 78,895	\$ 35,000
Range 2	25,000	25,000
Range 3	1,079,055	670,000
Range 4	<u>400,000</u>	<u>1,450,000</u>
	<u>\$ 1,582,950</u>	<u>\$ 2,180,000</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.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

9. 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.

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.

MAINE TECHNOLOGY INSTITUTE

Notes to Financial Statements

June 30, 2022 and 2021

Grant Commitments

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

	<u>2022</u>	<u>2021</u>
MTAF Awards	\$ 5,890,000	\$ 6,963,000
Marine Jobs Bond	<u>464,000</u>	<u>464,000</u>
	<u>\$ 6,354,000</u>	<u>\$ 7,427,000</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 years 2021 and 2022, industry sectors may experience further impacts related to volatility in operations, investment returns, and reduced philanthropic support. Uncertainty still surrounds the duration of the pandemic and operational adjustments, 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, 2022

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Net Expense and Changes in Net Position</u>
Business-type activities	\$ 15,263,744	\$ 159,421	\$ 14,544,017	\$ (560,306)
Total	<u>\$ 15,263,744</u>	<u>\$ 159,421</u>	<u>\$ 14,544,017</u>	<u>(560,306)</u>
General revenues				
Unrestricted interest and investment earnings				321,677
Other income				<u>843</u>
Total general revenues				<u>322,520</u>
Change in net position				(237,786)
Net position, beginning of year				<u>2,140,803</u>
Net position, end of year				<u>\$ 1,903,017</u>

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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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