

# 2015 ANNUAL REPORT

*The Maine Technology Institute*



## OVERVIEW

The Maine Technology Institute (MTI) was established by the Maine Legislature to encourage, promote, stimulate and support research and development activities leading to the commercialization of new products and services in the State's targeted technology sectors; to enhance the competitive position of those sectors; and, increase the growth of clusters of industrial activity within those sectors, thereby generating new jobs for Maine people. MTI is critical to the State's economic development strategy and a significant driver in the long-term expansion of research and development assets resulting in the creation of new ventures. *FY2015 established a high water mark for MTI in terms of funded awards and provision of support services to Maine companies. Total commitments exceeded \$8.85 million, including nearly \$8.2 million in program awards. Additionally, MTI deployed \$4.85 million in Maine Technology Asset Fund (MTAF) awards.*

## ORGANIZATION

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

MTI operates from one office located in Brunswick. Its staff is composed of one full-time program director, three portfolio managers, two program assistants, a director of business development, a director of finance and administration, and an office manager. The MTI President is employed by the Maine Department of Economic and Community Development.



## MTI FUNDING PROGRAMS

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

Over the past 15 years, the Maine Technology Institute has invested over \$195 million to help grow world-renowned research organizations like Jackson Laboratory, Bigelow Laboratory and Mount Desert Island Biological Laboratory and has funded diverse projects leading to innovations in gene sequencing and ocean microbial systems, guitar and surf board manufacturing, vodka from Maine potatoes, algae cultivation and eel aquaculture.

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

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

Descriptions and summaries of the award programs, as well as profiles of specific award recipients, follows on the succeeding pages.

**TECHSTART GRANTS** are available to entrepreneurs and companies across Maine who are seeking to develop their inventive ideas into new, innovative products or services. Grants are awarded monthly and may be used to support specific activities such as business plan development, intellectual property filings, market analysis, or technology transfer activities out of research institutions. *In fiscal year 2015, MTI received 72 TechStart Grant applications and approved 32 awards, representing \$130,000 (matched by \$220,000 in private sector funds).*

### *TECHSTART COMPANY PROFILE*



[www.compotech.com](http://www.compotech.com)

*A spin-off from the University of Maine's Advanced Structures and Composites Center, Compotech of Brewer has been working with the U.S. Department of Defense to develop cost-efficient, lightweight blast and ballistic protection systems for military applications. Technology developed through this effort is nearing maturity and ready for commercialization. Compotech has been pursuing sales opportunities both domestically and internationally. To explore the full potential of the developed technology, Compotech needed a comprehensive market research analysis to identify key market opportunities and possible new applications of its products. The TechStart award from MTI enabled Compotech to achieve its market objectives and develop a future growth strategy for the coming years.*

**PHASE 0 KICKSTARTER GRANTS** are offered to individuals and companies seeking to submit federal small business innovation research and small business technical transfer (SBIR/STTR) Phase I proposals to one of the eleven government agencies participating in the SBIR/STTR program. Awards of up to \$5,000 are offered to foster and support competitive federal proposal submissions from Maine applicants. Funds can be used for external direct costs associated with preparing an SBIR/STTR proposal, such as hiring grant writers, subject matter experts, other consultants or purchasing market research reports needed to inform a proposal. *In FY2015, 6 Phase 0 KickStarter awards were approved representing \$28,735 (matched by \$56,164).*

## PHASE 0 KICKSTARTER COMPANY PROFILE



[www.revolutionresearchinc.com](http://www.revolutionresearchinc.com)

*Revolution Research of Orono was co-founded by UMaine graduates, Alexander Chasse and Nadir Yildirim. The company is developing ecofriendly thermal insulation foam board. The co-founders won a \$5,000 prize in early 2015 in the UMaine Business Challenge and utilized a Maine Technology Institute (MTI) Phase 0 grant to develop a Phase I National Science Foundation (NSF) grant proposal. In its proposed NSF research, the company plans to produce biodegradable thermal insulation foams using cornstarch and cellulose nanofibrils (CNF). This product will have promising results for thermal insulation and packaging purposes. The company successfully secured a \$225,000 grant from the National Science Foundation (NSF) to develop a prototype of its insulation.*

*Revolution Research continued its momentum by qualifying for Greenlight Maine – Maine’s “kinder gentler” version of Shark Tank. The televised business pitch competition was launched during Maine Start-up & Create Week in June 2015 and 26 companies competed head to head throughout the fall to try to earn the coveted \$100,000 prize. Following up on its NSF grant to develop its prototype, the company intends to apply for a follow-on \$750,000 NSF grant to convert its prototype to a scalable product to seize on the \$10-\$15 billion thermal insulation market in North America.*

**SEED GRANTS** are offered three times a year to support the conversion of innovative research into new products, processes, and companies. Funded activities may include proof of concept work, prototype development, field trials, prototype testing, pilot studies, or technology transfer activities. MTI offers Seed Grants as direct investments in companies that are pioneering Maine's future through their technology innovations. *In 2015, MTI received 91 Seed Grant applications and approved 51 awards, representing \$1,144,000 (matched by \$1.6 million).*

## ***SEED GRANT COMPANY PROFILE***

The logo for RAPPOR, featuring the word "RAPPOR" in white, bold, sans-serif capital letters on a solid orange rectangular background.

<http://rapport.io/>

*Rapport of Portland makes it easy for small and midsized businesses to measure, reduce, and disclose the environmental impact of their operations. Large companies like GE, Home Depot, and Walmart are increasingly interested in the sustainability practices of their suppliers, and making it a priority when it comes to awarding and renewing contracts. Today's \$11 billion sustainability software market demands affordable, practical tools to facilitate this process - - both the large companies requesting data and the small and midsized businesses struggling to provide it are looking for a solution. Rapport is that solution.*

*In June, Rapport competed against 9 other finalists in the Maine Center for Entrepreneurial Development's Top Gun Final Showcase. Over 32 companies and entrepreneurs competed at the state's 3 innovation hubs to qualify for an opportunity to be a Top Gun finalist. Rapport earned the \$10,000 first place award, which was augmented by another \$60,000 from Microsoft's BizSpark program.*

*Steve Case, co-founder of AOL, brought his Rise of the Rest bus tour to Maine in October. He hosted a pitch competition featuring 8 Maine start-ups vying for \$100,000 from his investment company, Revolution. Rapport extended its winning streak and triumphed in the competition and, in addition, learned that Mr. Case will also serve as an advisor to the company going forward. In 2016, the company will use its working capital to add staff to support three priorities: building, selling, and paving the way for scale.*

**DEVELOPMENT LOANS** are competitive awards of up to \$500,000 per project and are awarded three times per year to support the conversion of innovative research into new products, processes and companies. *In fiscal year 2015, MTI received 31 development loan applications and funded 15 awards for \$3.5 million (matched by \$3.7 million).*

## DEVELOPMENT LOAN COMPANY PROFILE



[www.mingleanalytics.com](http://www.mingleanalytics.com)

*Mingle Analytics of South Paris helps healthcare practitioners comply with complex and rapidly evolving Medicare quality reporting requirements by blending advanced analytics in its proprietary suite of software with the consultative services of a team of highly skilled healthcare professionals. Medicare's potential penalties and incentives for quality reporting are rising rapidly; Mingle works with clients to avoid penalties and increase the probability of earning value or merit-based incentive payment.*

*Mingle operates as a Medicare Qualified Registry Vendor serving over 1,000 healthcare organizations ranging in size from solo practices and small physician groups to large healthcare enterprises. Prestigious clients include: University of Rochester Medical, University of Chicago, Memorial Sloane Kettering Cancer Center, Yale Medical Group, and many others, large and small. The company employs almost 50 people and will generate approximately \$6M in revenue this year.*

The **EQUITY CAPITAL FUND** provides investment capital to companies that have received Development Awards or Loans to help them leverage venture funds and individual equity investor capital. *In fiscal year 2015, MTI made three investments totaling \$1.1 million (matched by \$2,214,500), on the same terms as lead venture capital funds and individual investors.*

## EQUITY CAPITAL FUND COMPANY PROFILE



[www.elmettechnologies.com](http://www.elmettechnologies.com)

*Elmet Technologies of Lewiston, a company that specializes in molybdenum and tungsten materials for the semiconductor, flat panel television, and medical imaging industries was acquired in early 2015 by a group of Maine investors intent on securing the company's future.*

*Elmet is a globally diverse company that serves a growing number of customers around the world. It provides sales coverage with representation in the U.S., Asia and Europe. Elmet's manufacturing operation includes a 220,000 square foot facility in Lewiston, as well as facilities in Georgia and China. It competes in a \$1 billion global market and provides approximately 200 high quality jobs in Maine.*

*MTI's investment through its Equity Capital Fund helped finalize the acquisition, strengthened the company's research and development activities, safeguarded the jobs, and positioned Elmet Technologies for continued viability and growth.*

**BUSINESS ACCELERATOR GRANTS** are available to start-up/early stage companies that have been awarded MTI Development Loans (DLs) and to companies that have recently been chosen for a federal Small Business Innovation Research /Small Business Technology Transfer (SBIR/STTR) Phase I or Phase II grant and/or a Broad Agency Announcement (BAA) award. Funds are to be used to advance the new technology to market and to firmly establish or increase the scope and sustainability of the business enterprise. *In 2015, MTI received 18 applications and awarded 16 Business Accelerator Grants for \$385,000 (matched by \$7.1 million).*

## BUSINESS ACCELERATOR GRANT COMPANY PROFILE



[www.mainemedicinals.com](http://www.mainemedicinals.com)

*Founded by Edie Johnson in 2007, Eldertide LLC, is located in Dresden Maine and specializes in the growth of phytonutrient rich berries and botanicals for use in nutraceuticals, herbal supplements and functional foods. Eldertide has created five products based on their USDA Small Business Innovation Research (SBIR) Phase I and II awards received in 2009 and 2010 respectively and, to date, the company has received over \$1.3M in state and federal support. Products developed by Eldertide are sold in Whole Foods throughout the North Atlantic, Northeast and Southeast Regions, countless health food stores, and at the Common Ground Fair hosted by Maine Organic Farmers and Gardeners Association. Products are manufactured and distributed nationally via its sister company, Maine Medicinals, Inc. The company has seen year over year growth and currently employs 3 full time people with additional part-time and temporary employees working year round and seasonally.*

*In 2014, Eldertide was the only company in New England and one of 25 companies nationally to receive the Tibbetts Award from the U.S. Small Business Administration (SBA) for outstanding success in commercializing their small business innovative research.*

**CLUSTER INITIATIVE PROGRAM** awards are competitive grants aimed to accelerate the strength and scale of Maine's high-potential technology intensive clusters. Clusters are concentrations of companies and other organizations that serve similar customers or business interests and draw on similar knowledge and workforce skills in the development of innovative products and services. The Cluster Initiative Program supports the success of Maine businesses through joint work of companies, service providers, research laboratories and educational institutions by funding infrastructure or common programs that help them collectively to be more competitive, develop new products and services and reach new markets. The Cluster Initiative Program has made more than 100 awards totaling more than \$16 million helping create or support a number of vibrant industry organizations and programs that are critical to Maine's growing technology-based industries. *In fiscal year 2015, MTI received 17 applications and approved 10 awards for approximately \$1.9 million (matched by \$3.7 million).*

## CLUSTER INITIATIVE PROGRAM PROJECT PROFILE



[www.techplacemaine.us](http://www.techplacemaine.us)

*The Midcoast Regional Redevelopment Authority (MRRA) was awarded a Cluster Initiative Program (CIP) grant in FY15 to complete the build-out of a shared bio laboratory and technology shop at Tech Place. Tech Place is a technology and business incubator located at Brunswick Landing – Maine's Center for Innovation, located on the campus of the former Naval Air Station Brunswick.*

*The CIP award provides for greater acceleration of small manufacturing companies in the sectors of advanced materials and composites, aerospace and aviation, biotechnology, and renewable energy, and plays a vital role in helping to replace the 4,800 jobs that were lost when the base closed. Tech Place currently has 22 businesses operating out of its facilities and Brunswick Landing, as a whole, has now generated over 800 new jobs, nearly double its projection for 2015.*

MTI administers the **MAINE TECHNOLOGY ASSET FUND**, a competitive bond-funded program providing investments for facilities construction, renovation, and equipment. The investments help advance emerging technologies on the path to commercialization and help Maine companies, university centers and non-profit research institutions secure further investment. The Maine Technology Asset Fund was first approved by the Maine Legislature and the state's voters in 2007 and capitalized with \$50 million in bond funding focused on increasing research and development (R&D) facilities and resources in our state's seven targeted technology sectors. These monies were mostly expended in funding rounds in 2008, 2009 and 2010. The Legislature and voters approved an additional MTAF funding bill in the amount of \$3 million in 2009. Those funds, including approximately \$900,000 not awarded from earlier rounds and augmented by another \$921,871 in MTI funding, provided the source of funding for a 4<sup>th</sup> MTAF round. *As the result, in fiscal year 2015, MTI issued a request for proposals, received 21 applications and approved 8 awards for approximately \$4.9 million (matched by \$12 million).*

## *MTAF PROJECT PROFILE*



### *UMaine W2 Wind-Wave Basin*

*In an effort to expand the potential of the University of Maine's wind and wave basin facility, the Maine Technology Institute (MTI) provided a \$351,000 award from its MTAF program to help complete the \$13.8 million project. The W2 Wind-Wave Basin will provide a research testing facility for companies engaged in boatbuilding and shipbuilding, oil and gas exploration, and tidal, wave, and offshore wind energy.*

*The MTAF award helped implement an automated tow carriage and variable-depth floor that will make the testing facility unique nationally. Other funding for the project came from a voter approved bond, an award from the Harold Alfond Foundation, and grants from the U. S. Economic Development Administration and the National Science Foundation. The W2 Ocean Engineering facility will attract research and development testing from Maine and beyond and will provide indispensable hands-on learning opportunities for UMaine engineering candidates and other students.*

## OTHER MTI PROGRAMS OF ASSISTANCE

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

- Keeping the scarce Maine resource of proven Chief Executive Officer (CEO) talent for start-up companies available in the Maine entrepreneurial market space
- Allowing former CEOs, who are now available, the opportunity to see the market opportunities available for establishing and growing companies in Maine
- Offering companies a mentor opportunity with proven CEO talent familiar with start-up issues
- Allowing interface between MTI staff and successful entrepreneurs, enabling MTI staff to keep current with the realities of start-ups to better assist MTI applicants and portfolio companies.

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

MTI convened the **SBIR Regional "Summer Session"** that provided instruction and assistance to Maine businesses and entrepreneurs interested in accessing the funds that the federal government makes available through its Small Business Innovation Research (SBIR) program and similar research and development initiatives. In July 2014, it attracted representatives from seven of the eleven federal agencies and over 90 Maine business executives and service providers. The Summer Session provided entrepreneurs and businesses

with an opportunity to meet with seven different federal agencies to learn more about their respective technology initiatives and to increase the likelihood of garnering federal funding.

Additionally, in March 2015, the Maine Technology Institute (MTI) and Coastal Enterprises, Inc. (CEI) created a collaborative loan program to provide lines of credit to Maine companies that win federal grant awards. Termed the Federal Grantee Loan Program, this initiative provides bridge capital from CEI for those who receive federal awards to perform specific research and development work for a particular federal agency. The new loan program addresses challenging cash flow issues encountered with the various payment standards from the federal agencies. Future awardees of the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) grants as well as the recipients of Broad Agency Announcement (BAA) awards will be able to arrange streamlined financing that helps to maintain cash and credit balances without the risk of high debt.

## PARTNERSHIPS TO PROMOTE MAINE'S INNOVATION ECOSYSTEM

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

To foster this complementary system of support service, MTI works collaboratively with organizations across Maine to support programs and initiatives designed to assist entrepreneurs and small businesses and to promote and celebrate Maine's culture of ingenuity and its vibrant start-up community. Examples of collaborations include:

**Blackstone Accelerates Growth (BxG)** - At the conclusion of a successful 4 years of work as Blackstone Accelerates Growth ("BxG"), the Maine Technology Institute and other partners have announced the creation of a new consortium to support the increased growth in Maine's innovation, startup and creative technology community. In October 2011, The Blackstone Charitable Foundation provided a \$3 million grant to launch the BxG program, an endeavor to create Innovation Hubs throughout the state to bring together programs and

resources to support and grow Maine's entrepreneurial ecosystem. The work of this new consortium will build upon this program's success, outlined in the [Blackstone Accelerates Growth Impact Report](#).

The Maine Technology Institute, Maine Center for Entrepreneurial Development and the University of Maine's innovation programs are collaborating on Phase 1 of a new fund partnership with the Maine Community Foundation called Maine Accelerates Growth (MxG). Maine Accelerates Growth accelerates the growth of companies, communities, and talent by funding, creating, and leveraging high impact entrepreneurship and innovation programs and events through a collaborative and complementary network of organizations and individuals propelling prosperity across Maine.

MxG is a sustainable, ten-year effort, to facilitate the investment in the infrastructure supporting high-impact entrepreneurs and the programs and events that help them grow. MxG will fund, create and leverage programs and events statewide. MTI has seeded this effort with a \$200,000 challenge grant, matching contributions to MxG on a one-to-one basis.

MxG is an innovative model of funding and collaboration. MxG's Organizational Partners will create a new model for collaboration and co-opetition among providers and events across the state of Maine. The advisory group will continuously study emerging best practices to improve the approach and create an extraordinary future for Maine. Initial Organizational Partners include the **Maine Center for Entrepreneurial Development**, the **University of Maine's Innovation Programs**, **Green Light Maine**, **Maine Startup & Create Week**, and **Our Katahdin**. Additional partners include **Maine Venture Fund**, **Thomas College**, and the **Bangor Target Development Corporation**. The BxG local hub hosts **Lewiston Auburn Economic Growth Council**, **Midcoast Magnet**, and **Engine** of Biddeford also continue to participate in the network.

Phase 1 of MxG is focused on building the stakeholders and resources needed. It will recruit additional matching investments, advisory partners and governing board members to grow and expand the effort.

## ACTIVE MTI COLLABORATIONS, AFFILIATIONS AND PARTNERSHIPS

*The University of Maine System*

*Maine Department of Economic & Community Development*

*Maine Manufacturing Extension Partnership*

*Maine International Trade Center*

*Maine Small Business Development Center*

*Maine Center for Entrepreneurial Development*

*Maine Angel Network*

*Maine Venture Fund*

*SCORE*

*E2Tech Council*

*Finance Authority of Maine*

*Coastal Enterprises*

*Maine Start-up & Create Week*

*Economic Development Council of Maine*

*Gulf of Maine Research Institute*

*Maine Aquaculture Association*

*Maine Composites Alliance*

*Maine Community Foundation*

*Maine Development Foundation*

*Maine Innovation Economy Advisory Board*

*Maine Procurement Technical Assistance Center*

*Manufacturers Association of Maine*

*State Science and Technology Institute*

## LOOKING AHEAD

As the leading innovation-encouraging organization in Maine, it feels like the right time to reflect on where the Maine Technology Institute has been and where it should be headed. As a result, the organization is embarking on several initiatives to amplify its impact in Maine.

First, MTI will evaluate its existing programs to ensure that they are meeting the core mission of MTI and adequately serving the needs of entrepreneurs in Maine. As part of this effort, MTI has embarked on a lengthy discovery process to get a sense from its partners, board members, staff, former board members and former staff (including all past Presidents of MTI), as well as our portfolio companies and similar technology organizations nationally, about how MTI is doing and how we can improve our programs and processes. The feedback we receive will be used to inform the next priority – strategic planning.

MTI will focus on strategic planning in FY16. It will conduct a thorough and iterative monthly planning and visioning process that will take a look at the last 15 years of experience and will ultimately lead to a consensus plan and a clear list of priorities deemed essential to fulfilling its mission and catalyzing growth in Maine's innovation economy. This strategic plan will help guide the organization's work for the next 3-5 years.

Finally, the MTI board and staff will endeavor to magnify MTI's impact through formal outreach across Maine. Working with MTI stakeholders, industry trade associations, chambers of commerce, MTI portfolio companies and through social media and traditional media outlets, MTI's staff will engage in coordinated outreach and networking opportunities to amplify MTI's profile and impact.

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



**FINANCIAL STATEMENTS**

and

**SUPPLEMENTARY INFORMATION**

**June 30, 2015 and 2014**

**With Independent Auditor's Report**





## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Maine Technology Institute

We have audited the accompanying financial statements of Maine Technology Institute (a component unit of the State of Maine) which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Technology Institute as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on Pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion on or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
September 3, 2015

# MAINE TECHNOLOGY INSTITUTE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

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, 2015 and 2014 ("FY2015 and FY2014" or "Fiscal 2015 and 2014"). We encourage readers to consider the information presented here together with the basic financial statements as a whole.

### Financial Highlights

- MTI received \$6,729,204 and \$6,777,973 in FY's 2015 and 2014, respectively, from a State appropriation through the Department of Economic and Community Development ("DECD") for general programs. Bond funds in the amount of \$3,000,000 were received for the Maine Technology Asset Fund ("MTAF") during FY2015; no bond funds were received during FY2014. The \$50 million bond was fully received during FY2012 when \$12.4 million was drawn; the \$3M bond was requested during late Fiscal 2014 but not received until Fiscal 2015.
- There was no funding curtailment during FY2015. During FY2014, MTI's funding was curtailed by \$1M, and the amount was returned in December 2013.
- In FY2015, MTI approved for funding 130 projects totaling just under \$8.3 million, compared to 131 projects for \$6.7 million in FY2014 and 97 projects for \$3.9 million in FY2013. FY2015's \$1.6 million increase included \$357,000 in Cluster Initiative Program (CIP) awards, \$252,000 in Seed Grants, \$893,000 in Equity Funding, and \$98,000 in other programs. MTAF funding available was evaluated as the program neared completion, and \$4.85 million was awarded from remaining funds. No awards were approved in FY2014 or FY2013 under the MTAF Program; available funding was fully committed in FY2011, but forfeiture activity through those funding cycles released encumbered funds for subsequent use.
- MTI expended \$10 million in FY2015 according to agreed-upon project award milestones, versus \$6.5 million and \$5.6 million during FY2014 and FY2013. During FY2015, Development Loan (DL) disbursements rose \$1.9 million reflecting the level of DL award activity during the past two FY's. MTAF payments decreased \$255,000 as awards closed before the last funding round; CIP payments rose \$373,000 and Seed Grant payments rose \$540,000 due to increased activity in both categories. Equity payments increased \$968,000 due to increased Equity opportunities.
- MTI's outstanding commitments for its core awards amount to \$6.8 million, including approximately \$3 million in approved awards with unexecuted contracts as of June 30, 2015. At the close of FY2014, these values were \$7.2 million and \$2 million, respectively. MTAF outstanding commitments total \$8.3 million at June 30, 2015, an increase from \$5.1 million at FY2014. Unexecuted contracts at the end of FY2015 total \$4.5 million; there were no unexecuted MTAF contracts at the end of FY2014.
- MTI received \$249,000 in Development Award repayments during FY2015, compared to \$929,000 and \$1,453,000 in FY's 2014 and 2013, respectively.

## MAINE TECHNOLOGY INSTITUTE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

- \$313,000 was realized from interest in FY2015, a decrease of approximately \$5,000 compared to the previous year, due to a decline in payments from program loans. For FY2014, \$318,000 was received, a decrease of \$33,000 from FY2013, again due to a decrease in payments from program loans.
- 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 and June 2010. In FY's 2008 and 2009, MTI received General Funds to cover ongoing monitoring and administration costs of this fund. During FY2012, \$80,057 was expended on MTAF operating costs, including a \$7,289 administration fee to MTI. These costs were funded by the residual General Fund appropriation of \$46,453 and the remaining \$33,604 was paid by MTI out of accumulated net assets. Operating costs declined 51% to \$38,922 during FY2013 and a further 54% to \$18,093 during FY2014, all of which was paid by MTI out of accumulated net assets. FY2015 MTAF operating costs were \$105,000 due to the final round of MTAF funding and will be paid out of net assets once again.
- MTI played a leading role in obtaining a \$3 million, three-year grant from the Blackstone Charitable Foundation, early in FY2012. The initiative is designed to stimulate the creation of a strong culture of innovation in Maine that will accelerate more jobs in high-growth firms. Among responsibilities, MTI serves as the fiduciary agent for the Blackstone Accelerates Growth initiative and recorded \$896,000, \$843,000, and \$557,000 in grant income and matching special grant expense during the past three fiscal years.
- FY2015 administrative and operating costs were \$1.31 million, a decrease of \$50,000 (3.7%) from the previous year. Cost increases occurred in personnel (principally due to lower staff vacancies), communications/technology, and technology upgrades (transition to new grants management software). Those increases were offset by decreases in marketing, travel, and fees. These commitments, in addition to those of the prior year, helped drive the significant increase in awards discussed above. FY2014 costs were \$1.36 million, an increase of \$170,000 (14%) over the previous year. The increase in the number of awards under management and the need to negotiate more complex investment and award workouts lead to additional staff costs and higher legal expenses; marketing costs also increased during that period. Operating expenses, including the costs to monitor and administer the Maine Technology Asset Fund, are paid from administration fees of 10% of the State appropriation (7% during all FY's prior to 2014), fees on development award repayments and interest earnings.
- During FY2015, MTI continued to expand its Entrepreneur-In-Residence program. The program consists of five consultants who are assigned to assist MTI-funded companies and their personnel on a variety of projects of particular significance to the recipients. Expenditures amounted to \$194,000, paid through program funding. This program offers services that will assist recipients in developing marketing channels and resources, identifying sources for growth funding, developing internet marketing strategies and solving production planning or process concerns, among other needs. MTI believes that expanding its resources beyond funding meets other critical client needs in the areas of growth planning and management and developing connections to required resources.

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

**June 30, 2015 and 2014**

- 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.
- Fiscal 2015's surplus of net assets for MTI's activities increased to \$10,000, compared to a deficit of \$25,000 for FY2014. The usage of net assets in FY2014 decreased \$144,000 compared to FY2013 due to an increase in the cap on administrative fees.

**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..." (5MRSA ch. 407). MTI is funded primarily by the State from a direct appropriation that is granted to MTI from the Department of Economic and Community Development. To maximize the benefits of a public-private partnership, MTI is a private, nonprofit 501(c)(3) organization governed by a Governor-appointed, private-sector led, Board of Directors. The Director of the Institute is appointed by the Governor, is an employee of the Department of Economic and Community Development, and is President of the Institute as elected by the Board of Directors.

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

**Overview of the Financial Statements**

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

**Basic Financial Statements**

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

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

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

**June 30, 2015 and 2014**

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

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

**Notes to the Financial Statements**

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

**Financial Analysis: 2015 Compared to 2014 and 2013**

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 \$878,194 on June 30, 2015, compared with \$868,101 in 2014, and \$892,678 in 2013.

The Institute's financial position as of, and operations for, fiscal years 2015, 2014 and 2013 are summarized below based on information included in the financial statements.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ <b>25,164,243</b>	\$ 25,661,195	\$ 26,695,011
Loans and investments (net of allowances)	<b>1,403,292</b>	1,055,246	878,496
Capital assets, net of depreciation	<b>130,550</b>	76,332	45,699
Other assets	<u><b>418,496</b></u>	<u>3,907,903</u>	<u>605,576</u>
 Total assets	 <b>27,116,581</b>	 30,700,676	 28,224,782
 Refundable advances	 <b>25,940,336</b>	 28,616,822	 26,313,058
Other liabilities	<u><b>298,051</b></u>	<u>1,215,753</u>	<u>1,019,046</u>
 Total liabilities	 <u><b>26,238,387</b></u>	 <u>29,832,575</u>	 <u>27,332,104</u>
 Net position, all unrestricted	 <u><b>\$ 878,194</b></u>	 <u>\$ 868,101</u>	 <u>\$ 892,678</u>

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

**June 30, 2015 and 2014**

Cash and equivalents compose the vast majority of MTI's assets. The amount of funding received from the State as well as any funding carried over from previous years is included in this line. Some loans held by MTI were transferred from the Maine Science and Technology Foundation (no longer in existence), and terms have been renegotiated as the payments have come due. In FY2015, MTI made three Equity Capital Fund investments, two to companies that had previously completed Development Award-funded projects and one outside of that scope; four were made in FY2014 and three in FY2013. MTI's loan and investment portfolio increasingly comprises preferred stock units and convertible notes which, if converted, will provide MTI the opportunity to participate in any equity appreciation that will accrue to a successful enterprise. Other assets decreased by \$3.5 million from Fiscal 2014 to 2015 due to the receipt of \$3 million in MTAF bond funds shown as receivable at the end of FY2014 and \$522,000 due from the Blackstone Charitable Foundation at June 30, 2014.

Refundable advances indicates all funding on hand for use in MTI programs. Funding is disbursed according to achievement of milestones by the recipients. As noted earlier, \$6.8 million and \$7.2 million were committed but not yet disbursed for MTI's core awards at the close of June 2015 and 2014, respectively. MTAF outstanding commitments total \$8.3 million and \$5.1 million at June 30, 2015 and 2014, respectively.

Other liabilities are comprised primarily of awards payable which increased \$200,000 from 2013 to 2014 and decreased \$918,000 from 2014 to 2015. As mentioned above, there were no new awards in the MTAF program in 2013 and 2014; \$4.85 million was awarded from remaining MTAF funds in 2015.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating revenues:			
State of Maine funding	\$ 11,389,770	\$ 7,949,192	\$ 6,546,571
Grant income – other	895,520	847,040	600,580
Other operating revenues	<u>82,053</u>	<u>233,257</u>	<u>112,586</u>
Total operating revenues	<b>12,367,343</b>	9,029,489	7,259,737
Operating expenses:			
Program grants	10,294,778	7,004,762	5,835,701
Special grants	1,069,099	1,011,403	756,752
Salaries and wages	593,452	575,980	520,244
Other operating expenses	<u>711,740</u>	<u>779,276</u>	<u>665,150</u>
Total operating expenses	<u>12,669,069</u>	<u>9,371,421</u>	<u>7,777,847</u>
Net operating loss	<b>(301,726)</b>	(341,932)	(518,110)
Nonoperating revenues, net	<u>311,819</u>	<u>317,355</u>	<u>349,476</u>
Increase (decrease) in net position	<u>\$ 10,093</u>	<u>\$ (24,577)</u>	<u>\$ (168,634)</u>

# MAINE TECHNOLOGY INSTITUTE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

Operating revenues – State of Maine funding reflects MTI's State appropriations and grants made. The increases in FY2015 and FY2014 reflect the increase each year in awards funded.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
State appropriation received	\$ 6,729,204	\$ 6,777,973	\$ 6,737,973
Accrual basis accounting effect	<u>4,660,566</u>	<u>1,171,219</u>	<u>(191,402)</u>
Revenues recognized	\$ <u>11,389,770</u>	\$ <u>7,949,192</u>	\$ <u>6,546,571</u>

The "accrual basis accounting effect" reflects appropriations received that are being deferred or recognized as revenues in periods when corresponding award payments are made, and reflects payments to the State for curtailments (Fiscal 2014) or repayment dividends (Fiscal 2013).

MTI's operating expenses (which include award disbursements and accruals) were 35% higher in 2015. Program grants were 47% higher due to an increase in development loan, seed grant, and CIP payments. Special grants increased due to Blackstone Accelerates Growth program funding. Salaries and wages were 3% higher due to normal inflationary increases. Other operating expenses decreased 9% due to reductions in marketing and travel. FY2014 expenses were 20% higher than FY2013. For FY2014, program grants were 20% higher due to an increase in MTAF and development award payments. Special grants increased due to the Blackstone Accelerates Growth program funding. Salaries and wages were 11% higher in FY2014 due the full year effect of a late FY2013 position upgrade and to normal inflationary increases. Other operating expenses increased 17% due to marketing and promotion programs, as well as consulting expenses related to a process review study.

### Looking Ahead

In August 2014, Brian Whitney, Director of Business Development and Innovation at the Maine Department of Economic & Community Development (DECD), was named Acting Director of MTI. In early 2015, Mr. Whitney was nominated by the Governor to become the President of MTI. In March 2015, he participated in a confirmation hearing on his nomination in front of the Legislature's Labor, Commerce, Research & Economic Development (LCRED) Committee. He received the unanimous recommendation of the LCRED Committee and, the following day, was unanimously confirmed by the Maine State Senate. In April 2015, the MTI Board of Directors met to affirm the Governor's and Legislature's choice, and Whitney became MTI's fourth President.

Whitney announced that he would focus his short-term efforts on continuing to work with MTI's exceptional staff and board to maintain steady and effective operations and to ensure that the organization continues to help entrepreneurs and businesses fund and grow their enterprises utilizing MTI's financing programs, and to connect them to resources and assistance available through its partner organizations. He stressed that, just as it has since 1999, MTI will continue to function as a vital lynchpin to helping to "encourage, promote, stimulate and support research and development activity leading to the commercialization of new products and services" in Maine.

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

**June 30, 2015 and 2014**

In June 2015, MTI hosted its annual TechWalk event to showcase its tremendous portfolio companies and the organization's effect on Maine's economy. Positioned as a launch event for the 2<sup>nd</sup> annual Maine Startup & Create Week, TechWalk attracted 50 MTI companies as exhibitors and approximately 450 people attended and participated in the valuable networking opportunity.

In July, MTI held its SBIR "Summer Session" to provide instruction and assistance to Maine businesses and entrepreneurs interested in accessing the \$2.5B in annual funds that the federal government makes available through its Small Business Innovation Research (SBIR) program and similar research and development initiatives. It attracted representatives from seven federal agencies and over 90 Maine business executives and service providers. The event should serve as a catalyst to another productive year under MTI's valuable SBIR Technical Assistance Program (TAP).

FY2015 marked a high water mark for MTI in terms of funded awards and provision of support services to Maine companies, surpassing a previous high in FY2014. Total program commitments exceeded \$9 million, including nearly \$8.2 million in program awards. Additionally, MTI deployed \$4.85 million in Maine Technology Asset Fund (MTAF) awards. In the coming year, the MTI team anticipates continuing the positive momentum despite a reduction in annual legislative funding.

MTI's new President has outlined 3 initiatives for the coming year:

- **A Comprehensive Program Review** to ensure that MTI's suite of funding and assistance programs are meeting the needs of Maine's entrepreneurs, innovators and businesses;
- **A Strategic Planning Exercise** to garner consensus on the organization's mission, objectives strategy, and desired outcomes; and,
- **A Renewed Focus on Outreach** to amplify the organization's statewide impact.

MTI's commitment to serving the variety of needs of Maine businesses and entrepreneurs continues to be incredibly strong. We look forward to building on past commitments and launching new initiatives to help build a more robust business climate within the State.

**Request for Information**

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

# MAINE TECHNOLOGY INSTITUTE

## Balance Sheets

June 30, 2015 and 2014

### ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents (Note 2)	\$ 25,164,243	\$ 25,661,195
Grants receivable	-	3,565,888
Other receivables	352,208	260,605
Prepaid expenses	66,288	81,410
Loans receivable - current, net of allowance for losses of \$195,000 in 2015 and 2014 (Note 3)	<u>15,500</u>	<u>165,000</u>
Total current assets	<u>25,598,239</u>	<u>29,734,098</u>
Property and equipment, at cost		
Leasehold improvements	9,858	9,858
Equipment	121,767	110,605
Computer software	<u>185,803</u>	<u>133,971</u>
	317,428	254,434
Less accumulated depreciation	<u>(186,878)</u>	<u>(178,102)</u>
Net property and equipment	<u>130,550</u>	<u>76,332</u>
Loans receivable and investments, excluding current portion (Note 3)	<u>1,387,792</u>	<u>890,246</u>
Total assets	<u>\$ 27,116,581</u>	<u>\$ 30,700,676</u>

### LIABILITIES AND NET POSITION

Current liabilities		
Accounts and awards payable and accrued expenses (Note 7)	\$ 279,060	\$ 1,210,558
Current portion of obligations under capital lease (Note 6)	3,159	5,195
Refundable advances	<u>25,940,336</u>	<u>28,616,822</u>
Total current liabilities	26,222,555	29,832,575
Obligations under capital lease, net of current portion (Note 6)	<u>15,832</u>	-
Total liabilities	<u>26,238,387</u>	<u>29,832,575</u>
Unrestricted net position (deficit)		
Undesignated deficit	(21,806)	(31,899)
Board-designated (Note 4)	<u>900,000</u>	<u>900,000</u>
Total unrestricted net position	<u>878,194</u>	<u>868,101</u>
Total liabilities and net position	<u>\$ 27,116,581</u>	<u>\$ 30,700,676</u>

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

**MAINE TECHNOLOGY INSTITUTE**

**Statements of Revenues, Expenses and Changes in Net Position**

**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating revenues		
State of Maine funding		
Program grants	\$ 10,160,926	\$ 6,989,002
Administrative grants	1,056,184	795,827
Matching grants	<u>172,660</u>	<u>164,363</u>
Total State of Maine funding	11,389,770	7,949,192
Grant income - other	895,520	847,040
Royalties	62,138	232,497
Other income	<u>19,915</u>	<u>760</u>
Total operating revenues	<u>12,367,343</u>	<u>9,029,489</u>
Operating expenses (Note 5)		
Program grants (Notes 7 and 8)	10,294,778	7,004,762
Special grants	1,069,099	1,011,403
Salaries and wages	593,452	575,980
Benefits and payroll taxes	183,311	175,090
Travel	15,406	33,666
Depreciation	22,341	25,476
Other	<u>490,682</u>	<u>545,044</u>
Total operating expenses	<u>12,669,069</u>	<u>9,371,421</u>
Net operating loss	<u>(301,726)</u>	<u>(341,932)</u>
Nonoperating revenues (expenses)		
Investment income	312,886	318,118
Interest expense	<u>(1,067)</u>	<u>(763)</u>
Nonoperating revenues, net	<u>311,819</u>	<u>317,355</u>
Increase (decrease) in net position	10,093	(24,577)
Net position at beginning of year	<u>868,101</u>	<u>892,678</u>
Net position at end of year	<u>\$ 878,194</u>	<u>\$ 868,101</u>

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

**MAINE TECHNOLOGY INSTITUTE**

**Statements of Cash Flows**

**Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
State of Maine funding	\$ 11,340,469	\$ 5,704,299
Grants received	895,520	843,237
Award repayments	476,917	1,096,718
Royalties received	62,138	232,497
Other receipts	19,915	760
Grants paid	(10,113,133)	(7,852,434)
Paid to employees, including benefits	(719,168)	(635,084)
Paid to vendors	(1,592,247)	(501,852)
Loans repaid (funded)	30,204	(20,000)
Net cash provided (used) by operating activities	<u>400,615</u>	<u>(1,131,859)</u>
Cash flows from investing activities		
Net investment income received	312,886	318,118
Investments funded	(1,145,000)	(156,750)
Net cash (used) provided by investing activities	<u>(832,114)</u>	<u>161,368</u>
Cash flows from capital and related financing activities		
Purchase of equipment	(59,285)	(57,384)
Lease obligation payments	(5,101)	(5,178)
Interest payments	(1,067)	(763)
Net cash used by capital and related financing activities	<u>(65,453)</u>	<u>(63,325)</u>
Net decrease in cash and cash equivalents	(496,952)	(1,033,816)
Cash and cash equivalents, beginning of year	<u>25,661,195</u>	<u>26,695,011</u>
Cash and cash equivalents, end of year	\$ <u>25,164,243</u>	\$ <u>25,661,195</u>
Reconciliation of net operating loss to net cash provided (used) by operating activities		
Net operating loss	\$ (301,726)	\$ (341,932)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities		
Depreciation	22,341	25,476
Loss on disposal of assets	1,622	1,273
Changes in operating assets and liabilities		
Grant income receivable and other receivables	3,474,285	(3,238,440)
Prepaid expenses	15,122	(63,886)
Loans receivable	30,204	(20,000)
Accounts payable and other accrued expenses	(931,497)	201,886
Refundable advances	(1,909,736)	2,303,764
Net cash provided (used) by operating activities	<u>\$ 400,615</u>	<u>\$ (1,131,859)</u>
Noncash activities		
Equipment acquired through capital lease	<u>\$ 19,956</u>	<u>\$ -</u>

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

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2015 and 2014

### Nature of Organization

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

The programs the Institute operates are as follows:

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

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.

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2015 and 2014

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

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

### 1. Summary of Significant Accounting Policies

#### Basis of Presentation

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

#### Reporting Entity

The financial reporting entity consists of the primary government (the Institute), as well as its component unit, Maine Technology Holdings (MTH).

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, 2015 and 2014 is as follows:

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

MTH had no operating revenues or expenses in either 2015 or 2014.

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2015 and 2014

### **Use of Estimates**

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

### **Cash and Cash Equivalents**

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

### **Loans Receivable and Investments**

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

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

### **Allowance for Loan Losses**

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

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

### **Credit Risk**

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

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2015 and 2014

### Property and Equipment

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

### 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. Through FY2014, the Institute treated repayment of awards in the same manner and classified 90% of those repayments as refundable advances upon receipt; the remaining 10% was recognized as royalties revenue. Beginning with FY2015, and in recognition of the incremental cost of managing an increasing loan portfolio, the Board of Directors authorized an increase in royalties revenue to 20% of repayments. When awards enter repayment status and notes receivable are signed or investments are made, the entire carrying balance of the note or investment is offset by refundable advances; when payments are received, 20% of the payments is recognized as royalties revenue.

The Institute has recognized \$57,595 and \$115,987 in 2015 and 2014, 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 \$26,399 and \$24,637 for the years ended June 30, 2015 and 2014, respectively.

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2015 and 2014

### Risk Management

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

### Income Taxes

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

### Subsequent Events

For purposes of the preparation of these financial statements in conformity with GAAP, the Institute has considered transactions or events occurring through September 3, 2015, which was the date that the financial statements were available to be issued.

## 2. Cash and Cash Equivalents

The Institute's cash and cash equivalents, for account balances over \$10,000, are invested in repurchase agreements, collateralized by securities held by the financial institution in its name and assigned to the Institute. The accounts had bank balances of \$25,790,137 and \$25,783,382 at June 30, 2015 and 2014, respectively.

The Institute maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents. The Institute considers liquidity and safety in its investing decisions, and manages custodial credit risk by investing in repurchase agreements. There are no legal restrictions on the investments of the Institute.

## 3. Loans Receivable and Investments

The Institute's loans receivable and investments consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Loans receivable	\$ 594,796	\$ 625,000
Investments in privately held companies	<u>1,003,496</u>	<u>625,246</u>
	1,598,292	1,250,246
Allowance for losses	<u>(195,000)</u>	<u>(195,000)</u>
	1,403,292	1,055,246
Less current portion	<u>(15,500)</u>	<u>(165,000)</u>
	<u>\$ 1,387,792</u>	<u>\$ 890,246</u>

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2015 and 2014

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 5-8%. The loans and investments are held by the Institute; thus, there is no custodial credit risk.

The allowance for losses remained consistent in 2015 and decreased \$25,000 in 2014; the offsetting charge was to refundable advances.

#### 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>2015</u>	<u>2014</u>
Direct program services	\$ 11,826,908	\$ 8,431,921
General and administrative, including nonoperating expense	<u>843,228</u>	<u>940,263</u>
	<u>\$ 12,670,136</u>	<u>\$ 9,372,184</u>

#### 6. Leases

##### Operating Lease

The Institute leases office space under an operating lease with a five-year term and an option to renew for an additional five-year period. The initial lease term expires September 30, 2016. Rent expense is calculated on a square footage basis, excluding certain occupancy charges, and increases 2% each year. Rent expense under the lease was \$27,217 and \$27,607 in 2015 and 2014, respectively.

Future minimum lease payments due in the years subsequent to June 30, 2015 are as follows:

2016	\$ 36,854
2017	<u>9,256</u>
	<u>\$ 46,110</u>

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2015 and 2014

### Capital Lease

In March of 2015, the Institute entered into a new capital lease commitment with an interest rate of 13.09%. The amortized cost of this asset was \$15,965 at June 30, 2015. The leased assets are included on the balance sheet in equipment and amortization of the leased assets is included in depreciation expense.

Future minimum lease payments due in the years subsequent to June 30, 2015 are as follows:

2016	\$ 5,460
2017	5,460
2018	5,460
2019	5,460
2020	<u>3,640</u>
	25,480
Less: amount representing interest	<u>(6,489)</u>
Obligation under capital lease	18,991
Less: current portion	<u>(3,159)</u>
Obligation under capital lease, net of current portion	<u>\$ 15,832</u>

### 7. Grant Commitments

The Institute recognizes a liability and corresponding expense for awards in the amount expected to be paid when awards are approved by the Board of Directors and awardees submit required documentation and incur costs under the awards. Awards payable were \$171,408 and \$992,472 at June 30, 2015 and 2014, respectively. 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>2015</u>	<u>2014</u>
Business plan prizes	\$ 2,000	\$ -
Phase Zero awards	4,000	3,000
Seed grants	190,000	135,000
TechStart grants	13,000	21,000
Development awards	2,154,000	2,975,000
Cluster awards	1,357,000	2,003,000
Business Accelerator grants	55,000	61,000
MTAF awards	<u>3,809,000</u>	<u>5,146,000</u>
	<u>\$ 7,584,000</u>	<u>\$ 10,344,000</u>

**MAINE TECHNOLOGY INSTITUTE**

**Notes to Financial Statements**

**June 30, 2015 and 2014**

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

	<u>2015</u>	<u>2014</u>
Seed grants	\$ 325,000	\$ 406,000
TechStart grants	10,000	42,000
Development awards	1,159,000	1,361,000
Business Accelerator grants	59,000	-
Cluster awards	1,470,000	184,000
Maine Technology Asset Fund awards	<u>4,499,000</u>	<u>-</u>
	<u>\$ 7,522,000</u>	<u>\$ 1,993,000</u>

**8. Maine Technology Asset Fund**

In November 2007, State of Maine voters approved a \$50 million bond issue for research, development, and commercialization of projects in certain technology sectors. These funds are administered and awarded by the Institute under a program called MTAF. In June 2010, voters approved an additional \$3 million under the program. The \$3 million bond fund was drawn down and receivable as of June 30, 2014. The funds were received in full during fiscal year 2015.

## **SUPPLEMENTARY INFORMATION**

## MAINE TECHNOLOGY INSTITUTE

## Statement of Activities

Year Ended June 30, 2015

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net Expense and Changes in Net Position
Business-type activities	\$ <u>12,670,136</u>	\$ <u>62,138</u>	\$ <u>12,285,290</u>	\$ <u>(322,708)</u>
Total	\$ <u>12,670,136</u>	\$ <u>62,138</u>	\$ <u>12,285,290</u>	<u>(322,708)</u>
General revenues				
Unrestricted interest and investment earnings				312,886
Miscellaneous income				<u>19,915</u>
Total general revenues				<u>332,801</u>
Change in net position				10,093
Net position, beginning of year				<u>868,101</u>
Net position, end of year				<u>\$ 878,194</u>

