



## ANNUAL REPORT 2020







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## A Message from MTI's President



It is my pleasure to provide the Maine Technology Institute's fiscal year 2020 (FY20) annual report. MTI's fiscal year began in July of 2019 and concluded on June 30, 2020. It was a year that started with great

promise and fervor as we planned to celebrate Maine's bicentennial and our own 20th anniversary and ended with our organization surmounting challenges associated with a global pandemic to bolster and support Maine's entrepreneurs and technology-based businesses.

As will be revealed on the following pages, MTI experienced another strong year of investing in Maine businesses and entrepreneurs. In FY20, MTI deployed \$9.6 million across 140 distinct projects throughout Maine. That's up from \$9.3 million in FY19. And, perhaps more importantly, MTI's funding leveraged more than \$58 million in private sector matching investment (6:1 private/public funding ratio).

Nearly half of the money we deployed in FY20 went out when Maine businesses needed it most, from March to the end of June, during the early days of the coronavirus pandemic. During that period, MTI awarded \$4.67 million to support innovative Maine companies—including those that pivoted to offer COVID-19-mitigation solutions—and that funding was matched by almost \$22 million in private sector matching funds.

Created by the Legislature and Governor in 1999, MTI has now disbursed \$280 million in nearly 2,950 distinct projects across the State of Maine, and that funding has leveraged well

over \$1 billion in matching investment. The economic impacts generated as a result of those investments over the past 20 years were worth celebrating. That's why we spent an evening in early October to reflect on MTI's past accomplishments while looking to its future opportunities. Our 20th anniversary celebration was a wonderful trip down memory lane.

The fiscal year ended on a more uncertain and challenging note for Mainers (You can read how MTI responded to the COVID pandemic on Page 4). Despite the challenges resulting from the pandemic, Maine's entrepreneurial, technology-based companies demonstrated they are well positioned to lead Maine's economic recovery post-COVID-19. These technology-based companies make up approximately \$65 billion of Maine's gross regional product, which accounts for a full 20% of our gross regional product. With the support of MTI, the State of Maine, the angel investing community, and institutional lenders and investors, these tech-based ventures will inevitably help Maine regain its economic footing.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Whitney'. The signature is stylized with a large, looping initial 'B' and a trailing flourish.

Brian Whitney  
President





## MTI's Global Coronavirus Pandemic Response

In recognition of the global COVID-19 pandemic, on March 12th, MTI issued a memo to its staff, contractors and Board outlining protocols for coronavirus precaution & prevention. Those basic measures were instituted to maintain the safety and well-being of the team, board, technology boards and clients. It included information and guidance provided by the Maine Center for Disease Control & Prevention (CDC), including best practices for health and hygiene, and a request that MTI staff refrain from participating in networking and outreach events for the foreseeable future. It also suggested that phone conferences, Zoom, and other voice or video conferencing tools be utilized to conduct client engagement meetings. Finally, after assessing operational needs with the management team and determining that most of the organization's essential functions could be handled remotely, MTI moved to remote working arrangements for the entire organization including virtual meetings of the Board of Directors.

On March 27, the Board met in a special Zoom meeting to take a proactive approach to helping to mitigate the challenges facing MTI's portfolio companies, entrepreneurs and businesses during the crisis. MTI actively implemented measures to ensure that Maine's

innovators and startup businesses would get the support and assistance they needed to get through the challenging time. The organization altered its funding process to allow it to be more responsive and helpful to bolster innovative Maine companies.

MTI liberally offered loan deferments and restructures to existing clients and infused new funding and investments into Maine entities. It also expedited decisioning related to COVID-19 mitigation solutions so that those innovations could get to market rapidly. Many MTI companies made amazing operational pivots in response to the pandemic, shifting production to make personal protective gear, hand and surface sanitizer, face masks, and even toilet tissue.

To demonstrate the impacts of those measures, MTI experienced another strong year of investing in Maine businesses and entrepreneurs. Nearly half of the money it deployed in FY20 went out when Maine businesses needed it most, from March to the end of June. During that period, MTI awarded \$4.67 million to support innovative Maine companies—including those that pivoted to offer COVID-19-mitigation solutions—and that funding was matched by almost \$22 million in private sector matching funds.



## SUCCESS STORY

# STARC Systems

PROVIDING ISOLATION ROOMS  
FOR HEALTHCARE SITES

Multiple Awards | \$631K+

**#24** fastest growing  
manufacturer  
in the U.S.

STARC Systems' temporary modular walls are popular among major hospitals for their ability to eliminate the spread of dust and debris during renovation projects. Once the pandemic hit, hospitals found they were also useful for eliminating the spread of COVID-19.

The ability of STARC's walls to be quickly set up and create negative air pressure environments made them ideal for constructing rooms to isolate infected patients and areas such as anterooms for caregivers to put on PPE. As cases increased, hospitals were able to use STARC walls to subdivide rooms and repurpose existing spaces to increase their capacity.

In response to the high demand for their critically needed walls and panels, STARC shifted production to providing isolation rooms. They expanded their shifts and tech support, worked with vendors to expedite raw material deliveries and even encourage existing customers to loan unused wall panels to local healthcare facilities.

Their rapid response, paired with their innovative product, helped dozens of healthcare providers handle surges and prepare for future ones.

# Key Events & Happenings

In addition to investing \$9.6 million+ across 140 distinct projects, and despite the challenges posed by the COVID pandemic, MTI was actively involved in Maine's talented, thriving and resilient community of thinkers, doers, and creators. Here are some of the major experiences MTI was proud to be part of this past year.

## Maine Bicentennial

To celebrate Maine's 200th year of statehood, MTI produced and released a short documentary on innovation & entrepreneurship in Maine.

"What Greatness Looks Like" highlights some of the state's most notable innovators and features



exclusive interviews with entrepreneurs in Maine who are continuing their legacy, including Beth Shissler of SeaBags, Ben Polito of Pika and David Shaw of Idexx and Covetrus.

\*Many of Maine's Bicentennial events were postponed to 2021. See "Looking Ahead" on Page 23 to discover how MTI is supporting the celebration.



## 20th Anniversary

On October 7, 2019, MTI hosted a sold-out celebration to commemorate its 20th anniversary of supporting innovation, entrepreneurship and economic diversification in Maine. To mark the occasion, MTI brought together those who contributed to our success over the past two decades—including U.S. Senator Angus King, who was Governor of Maine in 1999 when MTI was created.

## Governor Mills Unveils 10-Year State Economic Plan

In December of 2019, MTI President Brian Whitney joined Governor Janet Mills and Maine



Department of Economic Community Development Commissioner Heather Johnson for the announcement of the State Strategic Economic Development Plan. MTI will play a pivotal role in this initiative, especially as the plan aims to spur economic growth through talent and innovation and calls for increased investments in research and development.

## Maine Accelerates Growth (MxG) Selects Project Manager



MxG is a MTI-supported network for nurturing local and regional entrepreneurial ecosystems in Maine. This year, the hiring committee selected Liz Trice to serve as its Project

Coordinator for the next three years. As a consultant, natural network builder and project manager, Liz is adept at managing complex, multi-stakeholder projects. Her expertise will help MxG promote innovation, build and manage co-working spaces and foster the development of entrepreneurial ecosystems.

## Top Gun

MTI once again partnered with the Maine Center for Entrepreneurs to sponsor their impactful and intensive business accelerator. The program selects the state's most promising businesses and provides them with mentorships, workshops, pitch development classes, an



MTI client LiteracyTech, Inc. won Top Gun for their ed-tech software ReMo.

opportunity to showcase their idea to top investors and a chance of winning \$25,000 to grow their innovative business.

**Greenlight Maine**

MTI was also pleased to continue its partnership and sponsorship of Greenlight Maine—a televised pitch competition featuring startups in Maine, as well as its collegiate version that highlights young entrepreneurs attending Maine colleges. This program not only showcases and supports innovators in Maine, it helps inspire the next generation of Maine-based entrepreneurs.



**Crunch Time Documentary Released**

Maine Startups Insider, in collaboration with MTI and Startup Maine, released a mini-



documentary chronicling the experience of eight Maine startups—including several MTI portfolio

companies—that participated in TechCrunch Disrupt in San Francisco in October 2019. Following a screening of the short film in Portland, there was a panel discussion with the startups who attended Disrupt to discuss their experiences, lessons learned and takeaways, and what else can be done to promote these types of opportunities for Maine entrepreneurs and businesses.

**UMaine Set Guinness World Records**



The University of Maine Advanced Structures & Composites Center unveiled the world’s largest 3D printer, which it then used to create the world’s largest 3D printed boat. The printer, which uses wood-filled plastics, is part of a

project that hopes to benefit both Maine’s shipping industry and find new applications for the state’s forest products.

Read more about UMaine’s record setting story on Page 17.

**Maine Community Foundation Summit**

MTI’s President moderated a panel at the Maine Community Foundation’s Invest in Maine Summit in Bangor, titled “Maine Grown:

Building a Future on Big Ideas.” The conference was attended by over 300 people and featured the release



of a 5-minute video, “Maine Grown”. Produced by the Community Foundation and the Maine Technology Institute, this new video highlights the range and commitment of Maine entrepreneurs—from coffee makers to rocket designers—along with the people who help support startups.

**The Roux Institute at Northeastern University**

**Roux Institute Launches**

Northeastern University, in collaboration with Maine-native and tech entrepreneur David Roux, created a graduate education and research campus in Portland. The new institute will focus on educating and growing talent in the digital and life sciences sectors. Several MTI clients are founding



partners, and MTI is working closely with The Roux Institute on ways they work together in Maine’s innovation ecosystem and increase their respective impact in the state.

# MTI FY20 Funding Report

Despite the challenges of the COVID pandemic, it was a successful year for MTI, **as investment and private sector match increased from FY19**. Following our strategic process, we were able to invest funds where and when they would have the most impact, helping diversify our state's economy and drive job growth and retention.

**\$9.6M**

deployed

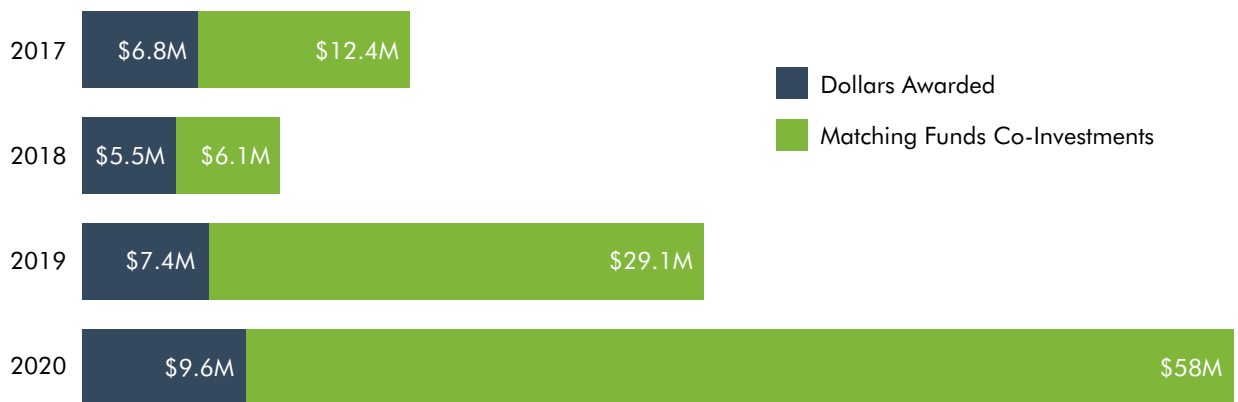
**140**

distinct  
projects

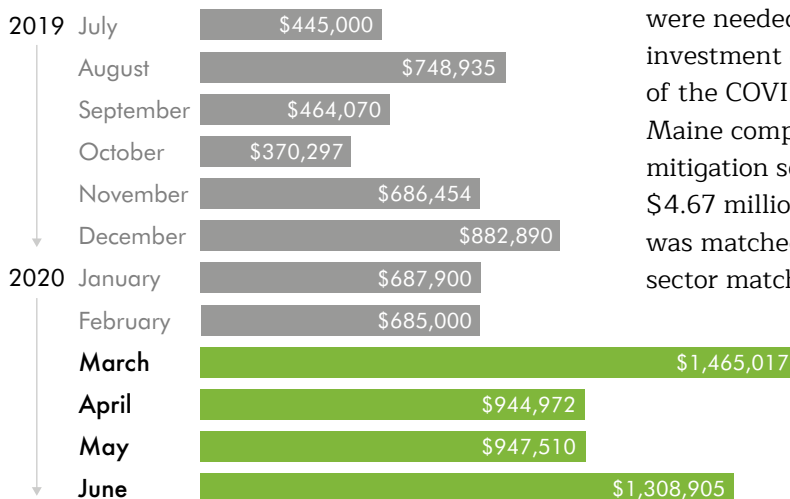
**\$58M**

private  
sector match

## Total Dollars Awarded/Matches by Year



## Awards by Month



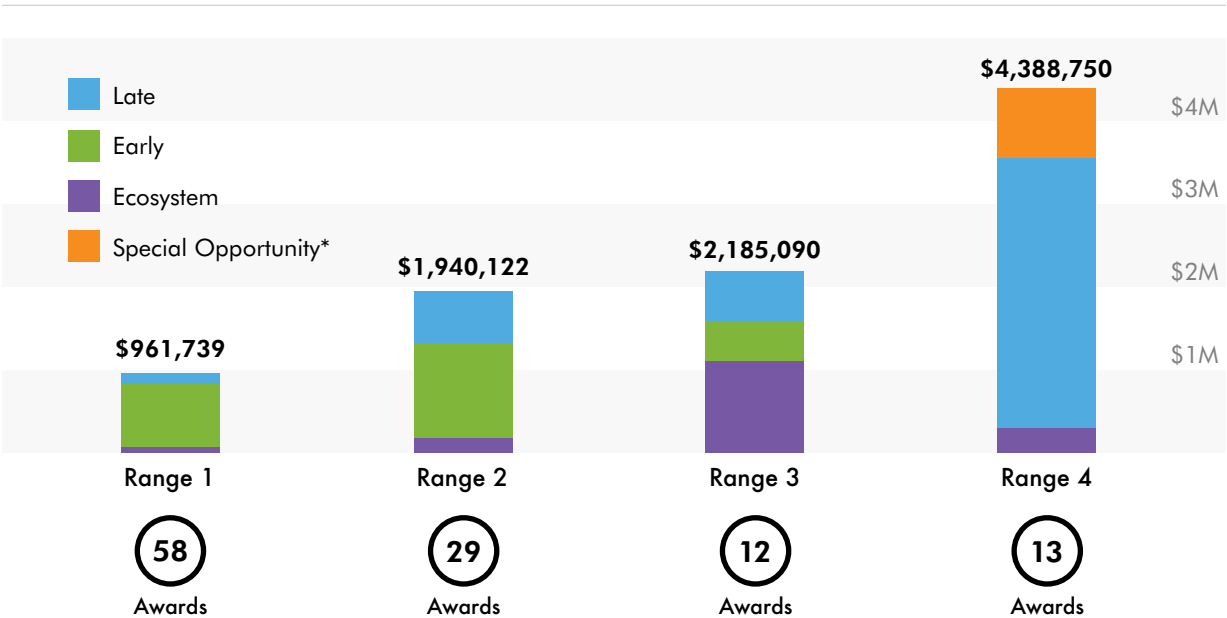
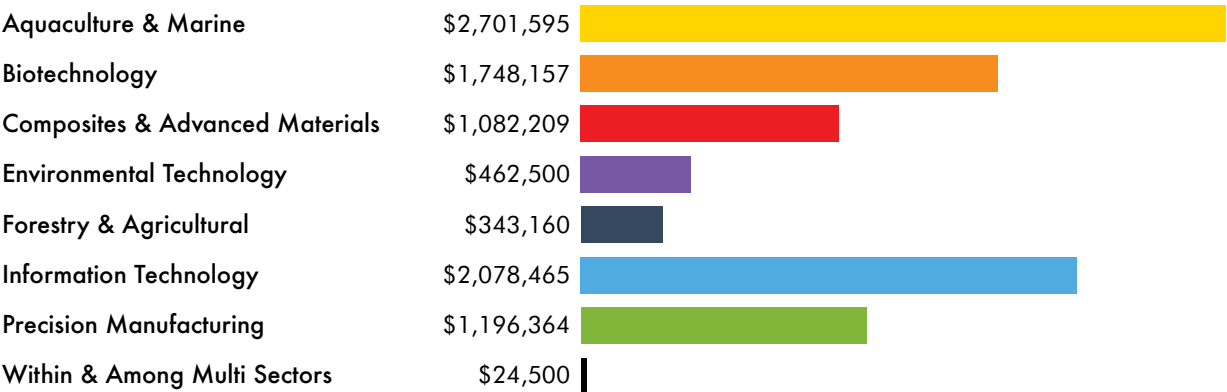
MTI was able to deploy resources when they were needed most, with nearly half our yearly investment occurring during the early months of the COVID pandemic. During this time, many Maine companies pivoted to provide COVID-19 mitigation solutions, and MTI was able to award \$4.67 million to aid in their efforts, which was matched by nearly \$22 million in private sector matching funding.



### 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 FY20, MTI invested in business within all seven of these targeted sectors, helping to create a more vibrant and diversified economy.



### Awards by Range

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

#### \*Special Opportunity: Our Katahdin | Millinocket

MTI awarded \$837K as a loan to Our Katahdin, which serves as a match for a \$5.34MM award from the federal Economic Development Administration. Our Katahdin is transforming the site of the former mill into a community-owned industrial park that is powered by renewable energy. By focusing on the future of bio-based and digital economies, they're attracting businesses in multiple sectors, including composite materials, aquaculture, environmental technology, forestry and information technology.

# Other Bond Funded Program Activities

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

## Maine Technology

### Asset Fund 2.0 (MTAF 2.0)

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



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

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

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

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

## Marine Jobs Fund

In 2014, the Legislature authorized, and the voters of the State of Maine approved, (Public Law 2014, Chapter 592) a \$7,000,000 bond issue to facilitate the growth of marine businesses and commercial enterprises that create jobs and improve the sustainability of the State’s marine economy and related industries through capital investments. In May 2016, the newly formed Alliance for Maine’s Marine Economy, a consortium of Maine-based marine businesses, research institutions and educational organizations, was selected by the State of Maine as the recipient of the \$7 million in funding and pledged to provide \$9.3 million in matching funds. The Alliance’s plan, spearheaded by the University of Maine, called for immediate infrastructure investments in public and private institutions throughout Maine. The \$7 million award also included \$1.92 million to fund a competitive Marine Jobs Fund Small Capital



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

## SUCCESS STORY

# Flowfold

USING INNOVATION & INGENUITY TO  
HELP DURING THE COVID-19 PANDEMIC

Grant | \$95K

8

days to switch their  
manufacturing process

3K+

face shields produced  
for hospitals

Gorham-based Flowfold is well known in Maine and beyond. Their rugged wallets, bags and totes—all made from repurposed sailcloth—were gaining a loyal following. Then, last year, they collaborated with L.L. Bean to produce a special edition of their world-famous Bean Boot.

While having their name on Maine's most iconic footwear was an amazing achievement, helping out Maine's most heroic workers has been their latest honor. During the height of the COVID-19 outbreak, Flowfold quickly shifted their manufacturing operations to make PPE (personal protective equipment) for frontline medical workers helping combat the pandemic.

It's an effort that Flowfold CEO & Co-founder Devin McNeill said was possible, in part, thanks to MTI. "MTI's investment in Flowfold supported the purchase of a CNC cutting machine which allowed us to quickly retool our manufacturing facility to make personal protective equipment for first responders at our local hospitals," said McNeill. "We wouldn't have been able to do this without their support!"



”

**MTI pushed us  
to become  
a better company,  
better leaders,  
and better community  
members.”**

James Morin  
Co-owner & COO



## SUCCESS STORY

# Friday

RESPONDING TO THE RISE  
IN REMOTE WORK

Multiple Awards | \$65K+

42%

of the labor force  
currently works  
from home

20%

of working days will be  
spent at home, even  
beyond the pandemic

Even before the COVID pandemic, remote work was gaining in popularity, especially among workers at technology-focused companies. Luke Thomas was among this growing group. In 2015, he moved back to Maine and continued to work remotely for his Boston-based employer. Soon after, he began a side project building tools that he wished he had as a remote worker—such as ways to have regular check-ins with managers.

MTI was an early investor in Thomas' software, which is now called Friday, and worked with the company to grow the platform into a comprehensive communication and work management tool for distributed teams.

Friday's ability to develop communication habits and automate routines for remote workers has proven vital. As the COVID pandemic forced many businesses to work remotely to prevent the spread of the virus and keep the economy moving, companies such as Twitter, LinkedIn and Red Hat have all used Friday to keep their employees in sync. Now, with a recent \$2.1 million investment from Bessemer Venture Partners, Friday is poised to be a major part of the future of remote work.



**There's a lot of talented people here [in Maine]. I hope the community continues to grow and that Maine becomes a thriving hub of entrepreneurs building great, scalable companies."**

Luke Thomas  
Founder & CEO

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.



# Maine Technology Asset Fund 2.5 (MTAF2.5)

On February 18, MTI issued a solicitation seeking proposals for its \$2 million Maine Technology Asset Fund 2.5 (MTAF2.5) program. The MTAF2.5 program provides funding to Maine organizations looking to make investments in R&D equipment, infrastructure and technology upgrades to drive innovation and generate economic impact in Maine. MTI capped individual funding requests at \$500,000 or less.

The funding for the MTAF2.5 program came from a research and development bond passed by the Legislature in 2016 and approved by voters in 2017. That \$45 million bond was fully awarded by MTI in 2018 but \$2 million was then made available for redeployment due to project forfeitures. MTI sought proposals that would provide extraordinary economic benefits to Maine and its citizens. MTI accepted electronic funding requests until April 24, 2020.



Ultimately, MTI received 84 MTAF2.5 proposals seeking \$25 million. Applications flowed in from 15 of Maine's 16 counties (no proposals were received from Kennebec County), and six proposals came from out-of-state entities seeking to establish

operations in Maine. The requests ranged from \$1,750 – \$500,000 (25 applicants were seeking the maximum amount). MTI received proposals from companies of all maturity levels—from startups to mature enterprises—and from all seven of the state's targeted technology sectors.

In September, MTI announced awards of \$2.16 Million to support ten innovative projects. Given the extraordinary challenges facing Maine businesses and organizations during the pandemic, MTI was very excited and encouraged to announce these noteworthy awards. The projects aligned well with the state's newly adopted 10-year strategic economic development plan (see page 6 for more information) and will have meaningful economic impacts, especially in rural Maine.

Projects spanned new innovations in Maine's traditional industries, from agriculture, forest products, and boatbuilding, to innovations in aquaculture and precision manufacturing. The \$2,160,099 in funded projects will create and retain over 1,600 jobs across the State of Maine, from the north (Limestone and Madawaska), south (Springvale), and east (Eastport), as well as points in between (Brewer, Brunswick, Lisbon, Thomaston, Waldoboro and Westbrook).

The ten awards will be matched by \$31,985,196 in private sector matching funds (14:1 matching ratio).

Approved projects went through extensive due diligence, with primary focus on the stated desired economic outputs of growth or retention of market share, increased revenues, expanded employment and retained jobs and the feasibility of the proposed projects to achieve their projected outputs. Requests were ranked against standard criteria and then against each other in terms of meeting the guiding principles established for the program.



## MTAF2.5 by the Numbers

# 84

proposals received

# 25MM

in total funding requested

# 15

Maine counties

# 6

out-of-state entities looking to establish in Maine

# 10

awards made

# \$2.16MM

invested

# \$31.9MM+

in private sector matching

# 1600

jobs to be created or retained statewide

## Summary of MTAF2.5 Awards



### Eastport Port Authority

Eastport, Washington County

Award Amount: \$307,500

Total Project Cost: \$938,516

The project will allow final full phase testing of a first of its kind patented shipboard heat-treating system developed in conjunction with, and licensed exclusively to, the Eastport Port Authority. This is the final phase of over 10 million dollars of investment made over the past decade to expand Maine forest products exports. Upon final trials, the Port of Eastport and its partners will open and facilitate trading access for the Maine forest products industry to export

underutilized Maine fiber to the European Union for renewable energy/combined heat and power projects.



### STARC Systems

Brunswick, Cumberland County

Award Amount: \$307,500

Total Project Cost: \$4,572,625

STARC Systems has found a major market opportunity for Infection Isolation solutions to help stop the spread of COVID-19 within hospitals. Sales of panels for Isolation drove March and April, up over 200% to last year. With this new demand on top of its existing Renovation business (up 87% in 2019), they need to invest in automated equipment to reduce

machining bottlenecks, manage a larger, more complex product assortment and increase the availability of equipment and labor for R&D on isolation-specific solutions.



### Nyle Systems

Brewer, Penobscot County

Award Amount: \$142,981

Total Project Cost: \$677,950

Nyle is investing to double its production space to meet demand, increase efficiencies and enhance its new product development capabilities. They will build a test chamber for new product development, create a food drying testing laboratory, build a larger paint room, install electrical & gas

lines, buy and install an air ventilation system for expanded welding department, remodel office to accommodate growing headcount, etc. Nyle will also obtain production equipment to increase capacity and build efficiencies/reduce unit costs. For example: More advanced finished product test set-up; copper pipe bender; pipe reducing machine; press break; shear; overhead crane; automated refrigeration charging station; etc.



### **North Spore**

Westbrook, Cumberland County

**Award Amount: \$164,418**

**Total Project Cost: \$438,670**

North Spore is seeking equipment and infrastructure improvements to its laboratory to expand production capacity. North Spore utilizes forestry and agricultural byproducts to produce value added mushroom growing supplies bringing in out-of-state revenue. MTAF 2.5 funding will assist in further commercialization supporting Maine suppliers and bring revenue and high-paying jobs into the state.

### **Acadian Composite Materials**

Limestone, Aroostook County

**Award Amount: \$280,000**

**Total Project Cost: \$912,000**

Acadian Composite Materials disrupts the construction industry by creating a long-lasting and high performance structural insulated panel ("SIP") from recycled single-use beverage bottles. EcoSIP

fabricates SIPs through its proprietary composite technology process. EcoSIP is a cost-effective alternative to typical "stick frame" building shells, with a lower cost of materials and construction time. EcoSIP also provides superior performance in terms of insulation value and ultimately energy savings. Furthermore, EcoSIP is completely made in Aroostook County, expanding the product line of an existing business. EcoSIP will help make Maine a leader in green building technology.



### **Twin Rivers Paper Company**

Madawaska, Aroostook County

**Award Amount: \$300,000**

**Total Project Cost: \$19,200,000**

Twin Rivers installed a pilot unit in 2017 to prove the feasibility of its state-of-the-art technology to focus on growth-oriented market segments to preserve jobs in the State of Maine. The success of the pilot justified Twin Rivers' plans to invest approximately \$20MM in paper machine 8 (PM8) to dramatically enhance the machine's capabilities and broaden the markets served by the largest asset in the Twin Rivers paper mill system. The rebuild will establish PM8 as one of the largest producers of lightweight technical packaging and label specialties in North America, ideally positioned to support strategic growth initiatives while strengthening the Company's industry-leading lineup of hybrid and freesheet lightweight publishing grades.



### **Springworks Farm Maine**

Lisbon, Androscoggin County

**Award Amount: \$300,000**

**Total Project Cost: \$4,059,375**

Springworks was founded in 2013 to improve the way our food is produced, distributed, and enjoyed. Its unique aquaponic system grows organically certified lettuce, fish, and fertilizer cost-effectively, while producing twenty times more greens per acre and using less than a tenth of the water compared to conventional agriculture. Springworks is fortunate to work with excellent partners in retail (Hannaford, Whole Foods) and foodservice (Performance Food Group, Sysco, etc.). With the help of MTI, they plan to expand their facilities again to serve their customer's demand and create jobs in Lisbon.



### **American Unagi**

Waldoboro, Lincoln County

**Award Amount: \$175,000**

**Total Project Cost: \$500,000**

American Unagi's MTAF2.5 request is to increase value-added capabilities by expanding current processing equipment and adding new processing equipment to increase product options/output, expand market reach, and add more employment opportunities.

## Farming Fungi

Springvale, York County

Award Amount: \$42,700

Total Project Cost: \$279,000

Farming Fungi will develop an Internet of Things (IOT)-based indoor agriculture control system. This low cost, high quality, grow control system IOT-based software will run on commercial, off-the-shelf hardware. It will feature configurable in-room sensing, display devices and the ability to monitor and control conventional non-communicating HVAC and facility equipment for all forms of controlled indoor agriculture—produce, fruit, horticulture, mushrooms & aquaculture. Algorithms sense and manage CO2, light, temperature, humidity, air exchange, nutrient dosing, water chemistry, etc. It eliminates expensive hard wiring of controls, signals and actuators. It also supports lot traceability and continuous process improvement. All while costing 50–75% less per installation than traditional, hardwired agricultural control systems.



## Lyman Morse

Thomaston, Knox County

Award Amount: \$140,000

Total Project Cost: \$407,060

Lyman-Morse Fabrication plans to reconfigure and modernize its workshop to increase efficiency and capacity, attract new business, and add to its workforce. By adding a clean, dedicated location for aluminum fabrication work, converting existing office space to a

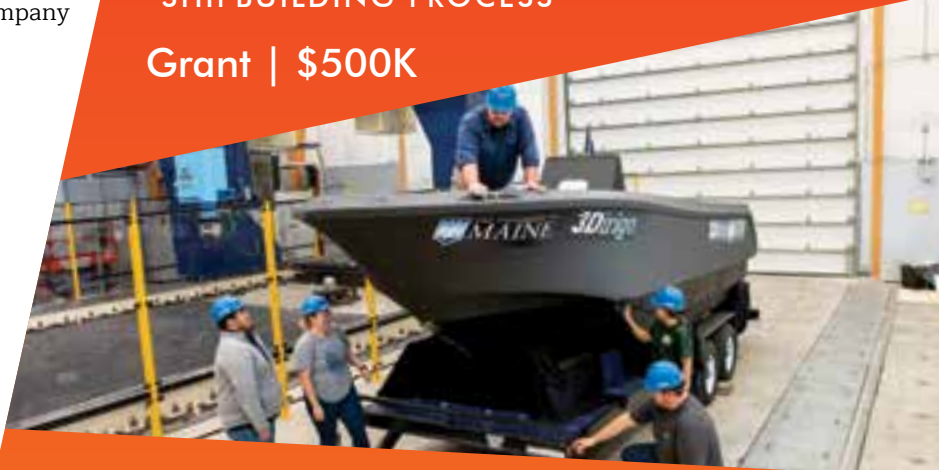
workshop area, and establishing a new area for business and management operations, this division of Lyman Morse Boatbuilding, Inc., will accelerate the growth trajectory Lyman-Morse Fabrication has been on since it was established in 2005 and allow it to attract follow-on funding through new customers and additional company investment.

## SUCCESS STORY

# Advanced Structures and Composites Center

SETTING WORLD RECORDS WHILE INNOVATING THE SHIPBUILDING PROCESS

Grant | \$500K



For centuries, ships have been made in Maine and built with wood from its forests. At the University of Maine's Advanced Structures and Composites Center, they're carrying on that tradition with an innovative twist.

Instead of using traditional planks and boards, they're using thermoplastics infused with up to 50% wood fiber products, and they aren't exactly building boats in the traditional sense, they're printing them with the world's largest 3D printer. To demonstrate their technology, which was funded with help from a grant from MTI, researchers and shipbuilders 3D printed a 25-foot boat that weighed in at over 5,000 pounds—a world record.

While the feat was no doubt impressive, what is even more exciting is the promise it holds for Maine's economy. This technology can help find new uses for our state's forest products and increase the global competitiveness of our shipbuilding industry, all while using a bio-based material that can help reduce our carbon footprint.

25

foot long  
3D-printed boat

3

Guinness World  
Records set





## Organization

MTI leads the development of a strong culture of innovation in the State of Maine and is well-positioned for continued growth and effectiveness. It is organized as a nonprofit corporation, consistent with the provisions of the Federal Internal Revenue Code. By-laws were drafted and corporation documents filed in September of 1999. A Board of Directors consisting of thirteen voting members and two non-voting members governs MTI. The Governor appoints ten directors, eight representing the targeted technologies and two of whom have demonstrated finance, lending or venture capital experience. The Commissioner of the Maine Department of Economic and Community Development, the Chancellor of the University of Maine System, the President of the Maine Community College System and the Director of the Office of Policy and Management, or their

designees, are ex-officio members. The MTI President is a non-voting director. Seven subsidiary boards, each representing a targeted technology sector, were formed to support the MTI Board. Approximately 120 subject matter experts comprise the membership of these Tech Boards.

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

Active MTI Collaborations, Affiliations and Partnerships



# Partnerships To Promote Maine’s Innovation Economy

In addition to direct support of innovators, MTI also supports programs and infrastructure that encourage innovation. Under its governing statute, MTI is instructed to cooperate with the Maine Department of Economic & Community Development (DECD), Manufacturing Extension Partnership (MEP), University of Maine (UMaine), and others to ensure a complementary system of support services is available to companies and research laboratories.

To foster this complementary system of support services, MTI works collaboratively with organizations across Maine to support programs and initiatives designed to assist entrepreneurs and small businesses and to promote and celebrate Maine’s culture of ingenuity and its vibrant startup community.

- Here are just some of the programs, events and organizations that have received MTI support:**
- University of Maine
  - UpStart Maine
  - Maine Community Foundation
  - Maine Development Foundation
  - Maine Discovery Museum
  - Manufacturers Association Of Maine
  - Maine International Trade Center
  - Northeast Clean Energy Council Institute
  - Bioscience Association of Maine
  - Mount Desert Island Biological Laboratory

Awarded  
**21**  
sponsorships  
worth  
**\$161K+**

## Other Programs

44

organizations supported  
by TAP Team in FY20

\$2.45M+

in federal awards made  
to companies receiving  
TAP assistance

### E-Resident Program

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

### SBIR/STTR Technical Assistance Program

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

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

Company	Agency/Phase	Amount
Rockstep Solutions	NIH SBIR Admin Sup	\$99,999
Introspective Systems	DOE SBIR Phase I	\$149,935
Maine Shellfish Developers	USDA SBIR Ph I	\$100,000
Blushift Aerospace	NASA SBIR Ph I + I-Corp	\$135,000
Activas Diagnostics	NIH SBIR Supplement	\$68,979
Paramount Planet Product (P3)	NSF STTR Ph I	\$225,000
Neuright	NSF STTR Ph I	\$225,000
UNAR	NSF Ph II	\$1,000,000
Atlantic Corporation	USDA SBIR Ph I	\$106,000
Shellfish Solutions	NOAA SBIR Ph I	\$150,000
Montalvo Corp	NSF SBIR Ph IIB	\$250,000
Granite Mountain Industries (RATools)	DoD/AF SBIR Ph II	\$750,000
UNAR Labs, LLC	NIH SBIR Ph I	\$300,000
Maine Shellfish Developers	USDA SBIR Ph II	\$649,690
American Unagi	USDA VAPG	\$250,000



## SUCCESS STORY

# RockStep Solutions

USING THE SBIR PROGRAM  
TO HELP PHARMACEUTICAL DRUGS  
GET TO MARKET FASTER

SBIR Grants | \$54K+

Other Awards | \$450K+

10

days saved from the  
drug discovery process

\$5M

in operational  
savings

*In vivo* research is a critical step in the pharmaceutical drug discovery process. It is highly technical and produces a massive amount of data. All this data poses a problem for researchers, as it's estimated they spend up to 80% of their time just trying to manage it. That's valuable time that could be better spent doing actual science that helps cure diseases.

RockStep Solutions has created a solution for this data issue. Their innovative digital platform called Climb aggregates, harmonizes and delivers all this critical data, across all teams and throughout every step of the *in vivo* research process—cutting days off the process and saving organizations millions of dollars in operational costs. As researchers have rushed to develop COVID-19 vaccines and treatments to halt the global pandemic, this ability to reduce time to market has become more critical than ever before.

RockStep was co-founded by Chuck Donnelly, a former researcher at Jackson Labs. MTI helped him and his partners apply to SBIR federal funding through the National Institute of Health. MTI then matched their SBIR grants and helped grow their business. Climb is now being used to help develop cures and lower the cost of drugs at over 30 pharmaceutical companies and research institutions. In February 2020, MTI was proud to nominate them for the coveted Tibbetts Award—granted to the company that best exemplifies the goals of the SBIR program.



**This innovation can literally save lives. Some people can't wait an extra year or two for a treatment to be approved. They can't afford to be on a clinical trial that fails. That's what motivates us—and we wouldn't be able to do any of it without the SBIR program and MTI."**

Chuck Donnelly  
Co-Founder & CEO

## SUCCESS STORY

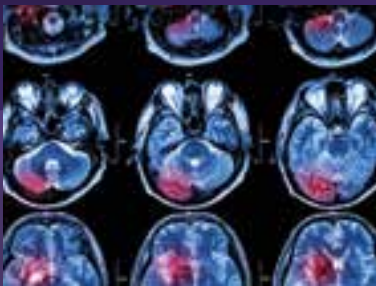
# MedRhythms

HARNESSING THE HEALING POWER OF MUSIC

Multiple Awards | \$425K+

**20K** treatment hours provided

**2** patents



Each year, over 2.5 million people in the United States suffer a stroke or traumatic brain injury, leaving many of them with persistent mobility, speech and cognitive issues. With no standard of care for a significant number of these cases, MedRhythms is pioneering the use of Neurologic Music Therapy and wearable sensors to improve patients' quality of life.

Launched in 2015 at the renowned Spaulding Rehabilitation Hospital in Boston, MedRhythms relocated to Maine to tap into its talent and supportive innovative community. Since then, their digital therapeutic platform has secured multiple patents, been fast-tracked for FDA approval, started testing in top hospitals and attracted millions of dollars in outside investment—including the recent backing of Bose, who was drawn to MedRhythms' cutting edge use of audio in health related applications.

Even the onset of the COVID-19 pandemic didn't slow the company down. In fact, it pushed them to further innovate their offerings. With in-person therapy sessions all but eliminated, they shifted their focus towards telemedicine and remote sensors, allowing care providers to continue using the power of music to help rehabilitate their patients.



**MTI has been instrumental to our growth and development as a company across every stage. It is an important reason for why we moved MedRhythms HQ from Boston to Maine."**

Owen McCarthy  
President

# Looking Ahead

In addition to continuing our support, leadership and investment in innovation and research and development throughout Maine, MTI is excited to be part of several initiatives in Fiscal Year 2021 and beyond.

## Bicentennial Innovation Expo

Many of this past year's Bicentennial events have been moved to 2021, including the Maine



Innovation Expo at Thompson's Point in Portland. Presented by MTI and Central Maine Power, the Innovation Expo will celebrate the future

of Maine, allowing visitors to experience and view demonstrations of new technologies from sectors such as biotechnology, agriculture, education, forestry and more.

## EDA Marine Grant

In April of this year, Maine's Congressional Delegation and the federal Economic Development Administration (EDA) announced a \$2 million Economic Adjustment Assistance



(EAA) award to help fund Maine's Marine Living Resource Economy initiative. Over the next

three years, MTI and FocusMaine will oversee this project to help develop market opportunities for Maine's marine-related products and seek ways to maximize efficiencies and returns across the seafood value-chain. This project will also address current and future workforce challenges in Maine's marine resource economy, including expansion of apprenticeships and work-and-learn training models, as well as collaborating with workforce development organizations like community and technical colleges.

## Governor's Economic Recovery Committee

The Economic Recovery Committee was created by Governor Mills in May of 2020 to develop a plan to help Maine's economy recover from the pandemic. In November, the 37-member panel released its final recommendations. Many of the recommendations in their report will involve MTI-supported efforts, including investing in innovation, promoting entrepreneurship, developing talent in high-demand fields, attracting talent to the state and ensuring high-speed internet access.



## Addressing Clean Energy Opportunities

In November, the Governor's Energy Office and the Office of Innovation Policy & the Future issued a report on Strengthening Maine's Clean Energy Economy. This report highlighted the momentum within Maine's clean energy economy, and how the sector is emerging as a source of economic growth and workforce opportunities. MTI is in discussions with the Governor's Energy Office team about ongoing and future collaboration.

On a related note, the Maine Climate Council recently concluded work on its climate action plan. Several of its recommendations align with MTI-led initiatives, including supporting the development of innovative construction materials and agricultural systems that rely on Maine timber and farms to build and feed the state into the future.

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Maine Technology Institute

We have audited the accompanying financial statements of Maine Technology Institute (the Institute) (a component unit of the State of Maine), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Technology Institute as of June 30, 2020 and 2019, and the changes in net position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on Pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion on or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
October 16, 2020

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

**June 30, 2020 and 2019**

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, 2020 and 2019 ("FY2020 and FY2019" or "Fiscal 2020 and 2019"). We encourage readers to consider the information presented here together with the basic financial statements as a whole.

**Financial Highlights**

- MTI received \$6,572,814 in FYs 2020, 2019 and 2018, from a State appropriation through the Department of Economic and Community Development ("DECD") for general programs. During FY2020, \$10 million in bond funds for the Maine Technology Asset Fund ("MTAF") were received and in FY2018, bond funds in the amount of \$25 million were received for the MTAF.
- During FY2020 there was no curtailment of MTI funds, however, during FY2019 and FY2018, MTI's funding was curtailed by \$700,000 and \$750,000, respectively, due to State budget constraints, and the amounts were returned during June of each of those fiscal years.
- During FY2019, MTI implemented a new core award program, replacing the "siloed" programs. MTI now uses a streamlined model to assist awardees in moving through the research and development continuum. This allows MTI to determine the appropriate resources needed for every intake situation, be it a funding award, other assistance, or a referral to one of MTI's ecosystem partners.
- In FY 2020, MTI approved 113 projects totaling \$9.8 million, compared to 120 projects totaling \$8.3 million, and 140 projects totaling \$7.5 million in FY 2019 and FY2018, respectively. In FY2019, no MTAF awards were approved. In FY2018, \$46 million in MTAF awards were approved and pending payment to awardees.
- MTI expended \$22.1 million in FY2020 according to agreed-upon project award milestones, versus \$25.4 million and \$8.6 million during FY2019 and FY2018, respectively. During FY2020, core award program payments decreased by \$778,000 from FY2019. During FY2019, core program award payments increased by \$4.6 million compared to FY2018. In FY2020, MTAF payments decreased by \$2.5 million and in FY2019, MTAF payments increased by \$12.2 million. In FY2019, the Maine Opportunity Growth Fund, in its second year, disbursed \$20,000 compared to \$80,000 disbursed in FY2018. The Maine Human Health Research Fund and the Maine Biomedical Research Fund were both fully expended in FY2018. Payments for the Maine Marine Economy and Jobs Bond were \$1.1 million and \$2.4 million for FY2020 and FY2019, respectively. Payments for the Maine Human Health Research Fund, Maine Biomedical Research Fund, and the Maine Marine Economy and Jobs Bond Fund were \$3.6 million in FY2018.

## MAINE TECHNOLOGY INSTITUTE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020 and 2019

- MTI's outstanding commitments for its core awards for FY2020 totaled \$6.5 million, including \$287,200 in approved awards awaiting contract finalization. FY2019, commitments totaled \$6.7 million, including approximately \$600,000 in approved awards without completed contracts. For FY2018, these totaled \$8.5 million, incorporating approximately \$3.1 million in approved awards without executed contracts. For FY 2020, MTAF funds in the amount of \$14.8 million were committed, with all awards being contracted. For FY2019, MTAF funds in the amount of \$27.4 million were committed and contracted. For FY2018, combined MTAF outstanding commitments total \$45.6 million including \$18.4 million related to awards without executed contracts. For the Maine Marine Economy and Jobs Bond Fund outstanding commitments for FY2020 were \$1.1 million. As of June 30, 2019 and June 30, 2018, commitments for the Maine Marine Economy and Jobs Bond Fund were \$1.7 million and \$4.5 million, respectively.
- MTI received \$1,716,000 in Development Award repayments during FY2020, compared to \$2,265,000 in repayments during FY2019; \$785,000 was received in FY2018.
- The amount of \$508,000 was realized from interest in FY2020, similar to \$600,000 in FY2019. For FY2018, \$600,000 was received.
- The bonds that created the MTAF, which MTI was directed to administer by the Legislature, were approved by Maine voters in November 2007, June 2010, and June 2017. FY2020 MTAF operating costs were \$8,900 and paid out of net assets. FY2019 MTAF operating costs were \$24,000. FY2018 MTAF operating costs were \$162,000.
- The bonds that created the Maine Biomedical Research Fund, the Maine Human Health Research Fund and the Maine Marine Economy and Jobs Bond Fund, which MTI was directed to administer, were approved by Maine voters in November 2014. No administration costs were approved with these bond funds, and so operating costs for these funds were paid out of net assets.
- During FY2017, MTI developed and promoted the Maine Accelerates Growth Initiative (MxG). This initiative accelerates the growth of companies, communities, and talent by funding, creating, and leveraging high impact entrepreneurship and innovation programs and events through a collaborative and complementary network of organizations and individuals propelling prosperity across Maine. During FY2020, there were no expenses directly attributable to this effort. Expenses for this program were \$4,600 for FY2019. For FY2018, those related expenses were \$70,000.
- 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 FY2020, this amounted to a return of \$400,000. For FY2019, this amounted to \$674,000, and \$209,000 for FY2018.

## MAINE TECHNOLOGY INSTITUTE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020 and 2019

- FY2020 administrative and operating costs were \$1.9 million, representing a decrease of \$100,000 from FY2019. FY2019 administrative and operating costs were \$2 million, an increase of \$355,000 from FY2018. 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 FY2019, 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 FY2020, expenditures were in the amount of \$196,000 and were paid primarily through program funding. During FY2019, \$171,000 was expended and in FY2018, \$66,000. 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.
- FY2020's surplus resulted in an increase in net position of \$27,000. FY 2019's surplus resulted in an increase in net position of \$360,000. FY2018's surplus resulted in an increase of \$439,000.

#### **Overview of the Institute**

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

The Institute has functioned with a staff of 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.



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

**June 30, 2020 and 2019**

**Overview of the Financial Statements**

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

**Basic Financial Statements**

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

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

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

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

**Notes to the Financial Statements**

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

**Financial Analysis: 2020 Compared to 2019 and 2018**

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 \$1,926,562 on June 30, 2020, compared with \$1,899,836 in 2019 and \$1,539,611 in 2018.

The Institute's financial position as of, and operations for, fiscal years 2020, 2019, and 2018 are summarized below based on information included in the financial statements.

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

**June 30, 2020 and 2019**

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>
Cash and cash equivalents	<b>\$ 28,769,673</b>	\$ 25,540,458	\$ 46,566,237
Loans and investments (net of allowances)	<b>9,638,141</b>	5,903,993	3,932,905
Capital assets, net of depreciation	<b>76,712</b>	90,260	97,186
Other assets	<u><b>138,100</b></u>	<u>10,144,147</u>	<u>80,434</u>
 Total assets	 <u><b>38,622,626</b></u>	 <u>41,678,858</u>	 <u>50,676,762</u>
 Refundable advances	 <b>36,556,407</b>	 39,560,100	 48,884,073
Other liabilities	<u><b>139,657</b></u>	<u>218,922</u>	<u>253,078</u>
 Total liabilities	 <u><b>36,696,064</b></u>	 <u>39,779,022</u>	 <u>49,137,151</u>
 Net position, all unrestricted	 <u><b>\$ 1,926,562</b></u>	 <u>\$ 1,899,836</u>	 <u>\$ 1,539,611</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 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 Award funding; one was made in FY2018. MTI's loan and investment portfolio increasingly comprises preferred stock units and convertible notes which, if converted, will provide MTI the opportunity to participate in any equity appreciation that will accrue to a successful enterprise. Other receivables decreased from Fiscal 2019 to 2020 due to amounts receivable from the State of Maine at June 30, 2019.

Refundable advances indicates all funding on hand for use in MTI programs. Funding is disbursed according to achievement of milestones by the recipients. As noted earlier, \$6.5 million and \$6.7 million were committed but not yet disbursed for MTI's core awards at the close of June 2020 and 2019, respectively. MTAF outstanding commitments total \$14.8 million and \$27.4 million at June 30, 2020 and 2019, respectively. Also, as noted earlier, there was a new round of MTAF awards totaling \$46 million at June 30, 2018.

Other liabilities are comprised primarily of accounts and awards payable which, combined, decreased by \$79,000 from 2019 to 2020.

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

**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues			
State of Maine funding	\$ <b>26,794,832</b>	\$ 34,411,446	\$ 14,562,021
Other operating revenues	<u>362,436</u>	<u>602,828</u>	<u>327,003</u>
Total operating revenues	<u><b>27,157,268</b></u>	<u>35,014,274</u>	<u>14,889,024</u>
Operating expenses			
Program grants	<b>25,525,613</b>	33,150,015	13,495,872
Special grants	<b>199,698</b>	215,175	276,509
Salaries and wages	<b>872,764</b>	867,089	836,260
Other operating expenses	<u><b>1,039,545</b></u>	<u>1,103,252</u>	<u>778,787</u>
Total operating expenses	<u><b>27,637,620</b></u>	<u>35,335,531</u>	<u>15,387,428</u>
Net operating loss	<b>(480,352)</b>	(321,257)	(498,404)
Nonoperating revenues, net	<u><b>507,078</b></u>	<u>681,482</u>	<u>937,058</u>
Increase in net position	\$ <u><b>26,726</b></u>	\$ <u>360,225</u>	\$ <u>438,654</u>

Operating revenues – State of Maine funding reflects MTI's State appropriations and bond funds received and grants made. The changes in FY2020 and FY2019 reflect the change each year in awards funded.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
State appropriation received	\$ <b>6,572,814</b>	\$ 6,572,814	\$ 6,572,814
State bond funds received	<b>10,000,000</b>	-	25,000,000
Accrual basis accounting effect	<u><b>10,222,018</b></u>	<u>27,838,632</u>	<u>(17,010,793)</u>
Revenues recognized	<u><b>\$ 26,794,832</b></u>	<u>\$ 34,411,446</u>	<u>\$ 14,562,021</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.

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

**June 30, 2020 and 2019**

MTI's operating expenses (which include award disbursements and accruals) were 22% lower in 2020 than 2019. Program grants were 23% lower due primarily to reduced MTAF grant payments. Special grants were 7% lower due to lower support activity. Salaries and wages were consistent year over year. Other operating expenses decreased by 6% due in part to reduced travel and technology costs. Operating expenses were 130% higher in 2019 than 2018. Program grants were 146% higher due primarily to increased MTAF bond payment activity. Special grants decreased by 22% due to MxG changes. Salaries and wages were 4% higher due to changes in staffing. Other operating expenses increased 42% due to increases in technology, marketing and outreach and fees.

**Cash Flow Highlights**

Cash and cash equivalents increased \$3.2 million between FY2020 and FY2019 primarily due to MTAF 2.0.

**Looking Ahead**

After engaging in a 15-month strategic planning process that was completed in 2017, MTI spent the better part of the next year implementing that plan. The process was thorough and exhaustive as we worked to scope out new programs and processes that reflected the new strategic direction of MTI. After spending considerable time listening to a wide variety of entrepreneurs, innovators, partners, and other stakeholders, MTI launched a completely new approach to funding innovation in the State of Maine in August of 2018.

The new MTI Investment Process is more fluid and flexible than it was before. Our core mission, as defined by legislative statute, remains the same. The changes were designed to deliver more customer-focused and tailored service to maximize our impact in Maine by promoting and supporting innovation that leads to economic prosperity and quality jobs statewide.

Under the new approach, clients may apply for MTI funds at any time and we no longer have fixed programs with specific deadlines. Again, our goal is to provide more tailored support to our clients. We continue to offer grants, loans, equity investments, and services to businesses, organizations, and individuals that work within one or more of the state's seven targeted technology sectors or in building support systems for innovation in Maine.

Here's what potential applicants can expect, whether they are a new or returning MTI client:

**Start**

Those interested in accessing MTI funding or support will be asked to complete our Online Intake Form first. This may be done as part of a conversation the potential applicant has with one of our referral partners, or applicants can complete it on their own. Before getting started, we also encourage potential applicants to review our qualification guidelines and to complete a company self-assessment using Abaca, an online version of the VIRAL® framework MTI uses to help understand the enterprises we serve.



## MAINE TECHNOLOGY INSTITUTE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020 and 2019

#### **Meet**

Our goal is to be able to advise prospective applicants on what types of work are likely to be approved and how much MTI funding they are likely to qualify for. They will also learn about the expectations associated with MTI funding, and once ready, an MTI Investment Officer will provide access to the application materials.

#### **Apply**

The application is a mix of written questions and data about the prospective applicant's innovation, organization, and goals for the business. Once an application is submitted, a confirmation will be sent from the Investment Officer to the applicant and the MTI review process will commence.

#### **Review**

MTI's review timeline is fluid and depends on the amount of funding requested. After MTI receives the application documents online, the MTI Investment Officer provides a timeline for expectations regarding the review process.

#### **Decision**

The Investment Officer will contact the applicant once a decision, and any associated conditions, are rendered. The contract package will be prepared and emailed to the applicant for review and signature. On those occasions when MTI decides against funding a project, the applicant will be informed by the Investment Officer along with feedback regarding why the application was not approved. In some cases, the applicant will be able to reapply once specific factors have been addressed. In others, the decision on that project will be final. Applicants may also be referred to other programs or partners that may be a better fit than MTI.

#### **Reporting**

The Investment Officer will reach out to the awardee on a quarterly basis to monitor the project's progress. For larger projects, milestone reports may be required from awardees for each scheduled distribution of MTI funds (based on the original application). For all funded projects, a final report is required to confirm achievement of the original proposed Scope of Work. In addition, all MTI clients will be required to submit annual impact reports via our online portal for 5 years post-award.

#### **Continuous Improvement**

MTI, recognizing that modifications may be required from time to time to optimize the application process and client experience, will continuously monitor and evaluate the new funding approach and process and will test and implement improvements as needed to maximize MTI's performance and enhance the client's experience and impact.

#### **COVID-19 Update**

Like most entities adjusting to the realities of the global COVID-19 pandemic, MTI will likely experience some financial constraints in the coming years due to cuts or curtailments to its funding. While this will impact the aggregate amount of funds MTI will be able to invest in Maine organizations in the coming fiscal years, the overall effects on its operations should not be significant.

**MAINE TECHNOLOGY INSTITUTE**  
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Additionally, the pandemic and physical distancing requirements have also altered, at least in the short-term, the way business is conducted between MTI and its clients. With the entire MTI team working remotely, virtual meetings have become the norm yet seem to have had little impact on MTI's ability to manage its investment process. However, the Institute will continuously monitor and review this arrangement to ensure that MTI's clients receive the utmost in customer service and responsiveness.

The State of Maine, with MTI's participation and input, developed a new ten-year strategic economic plan in December 2019. The pandemic interrupted the planned implementation of that strategy but, in the interim, the Governor appointed a statewide Economic Recovery Committee (ERC) to provide recommendations for stabilizing the economy during the pandemic and stimulating its eventual recovery. The ERC's efforts are intended to act as a bridge from the COVID-19 crisis back to the implementation of the ten-year plan. MTI will play a critical role in both efforts moving forward.

Finally, the pandemic also interfered with Maine's bicentennial in 2020. All the various events related to the bicentennial were cancelled. Those events will now occur in 2021. MTI is a major sponsor of the bicentennial and, specifically, is helping to organize a magnificent "Innovation Expo" that will serve as the climactic conclusion of all the planned bicentennial festivities throughout the year.

**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, 2020 and 2019

### ASSETS

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents (Note 2)	\$ 28,769,673	\$ 25,540,458
Other receivables	27,914	10,010,121
Prepaid expenses	110,186	134,026
Loans receivable - current, net of allowance for losses of \$1,163,680 in 2020 and \$1,912,218 in 2019 (Note 3)	<u>741,817</u>	<u>789,468</u>
Total current assets	<u>29,649,590</u>	<u>36,474,073</u>
Property and equipment, at cost (Note 6)		
Leasehold improvements	39,870	20,568
Equipment	145,663	148,114
Computer software	<u>125,995</u>	<u>125,995</u>
	311,528	294,677
Less accumulated depreciation	<u>(234,816)</u>	<u>(204,417)</u>
Net property and equipment	<u>76,712</u>	<u>90,260</u>
Loans receivable, net of allowance for losses of \$15,178,124 in 2020 and \$4,456,665 in 2019, and investments, excluding current portion (Note 3)	<u>8,896,324</u>	<u>5,114,525</u>
Total assets	<u>\$ 38,622,626</u>	<u>\$ 41,678,858</u>

### LIABILITIES AND NET POSITION

Current liabilities		
Accounts payable and accrued expenses	\$ 122,560	\$ 196,931
Current portion of obligations under capital lease (Note 6)	5,128	4,894
Current portion of refundable advances	<u>27,660,083</u>	<u>34,445,575</u>
Total current liabilities	27,787,771	34,647,400
Obligations under capital lease, net of current portion (Note 6)	11,969	17,097
Refundable advances, net of current portion	<u>8,896,324</u>	<u>5,114,525</u>
Total liabilities	<u>36,696,064</u>	<u>39,779,022</u>
Unrestricted net position		
Undesignated net position	966,947	931,567
Net investment in capital assets	59,615	68,269
Board-designated (Note 4)	<u>900,000</u>	<u>900,000</u>
Total unrestricted net position	<u>1,926,562</u>	<u>1,899,836</u>
Total liabilities and net position	<u>\$ 38,622,626</u>	<u>\$ 41,678,858</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
State of Maine funding		
Program grants (Notes 7 and 8)	\$ 25,371,491	\$ 32,981,437
Administrative grants	1,067,410	1,084,676
Matching grants	<u>355,931</u>	<u>345,333</u>
Total State of Maine funding	26,794,832	34,411,446
Royalties	349,629	578,828
Other income	<u>12,807</u>	<u>24,000</u>
Total operating revenues	<u>27,157,268</u>	<u>35,014,274</u>
Operating expenses (Note 5)		
Program grants (Notes 7 and 8)	25,525,613	33,150,015
Special grants (Note 7)	199,698	215,175
Salaries and wages	872,764	867,089
Benefits and payroll taxes	276,390	308,432
Travel	11,043	22,020
Depreciation	46,879	40,106
Marketing and advertising	177,292	132,440
Sponsorships	306,650	83,004
Consulting fees	109,415	134,859
Other	<u>111,876</u>	<u>382,391</u>
Total operating expenses	<u>27,637,620</u>	<u>35,335,531</u>
Net operating loss	<u>(480,352)</u>	<u>(321,257)</u>
Nonoperating revenues (expenses)		
Investment income	508,062	682,280
Interest expense (Note 5)	<u>(984)</u>	<u>(798)</u>
Nonoperating revenues, net	<u>507,078</u>	<u>681,482</u>
Increase in net position	26,726	360,225
Net position, beginning of year	<u>1,899,836</u>	<u>1,539,611</u>
Net position, end of year	<u>\$ 1,926,562</u>	<u>\$ 1,899,836</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
State of Maine funding	\$ 34,202,139	\$ 15,795,059
Proceeds from sale of programmatic investments	-	1,034,641
Award repayments	1,427,044	2,265,313
Royalties received	349,629	578,828
Other receipts	12,807	24,000
Grants paid	(25,725,311)	(33,365,190)
Paid to employees, including benefits	(1,140,350)	(1,305,133)
Paid to vendors	<u>(793,624)</u>	<u>(732,638)</u>
Net cash provided (used) by operating activities	<u>8,332,334</u>	<u>(15,705,120)</u>
Cash flows from investing activities		
Loans funded	(5,242,113)	(7,212,147)
Loans repaid	1,247,758	1,479,330
Net investment income received	508,062	932,280
Investments funded	<u>(1,577,671)</u>	<u>(499,996)</u>
Net cash used by investing activities	<u>(5,063,964)</u>	<u>(5,300,533)</u>
Cash flows from capital and related financing activities		
Purchase of property and equipment	(33,331)	(7,165)
Lease obligation payments	(4,894)	(12,163)
Interest payments	<u>(930)</u>	<u>(798)</u>
Net cash used by capital and related financing activities	<u>(39,155)</u>	<u>(20,126)</u>
Net increase (decrease) in cash and cash equivalents	3,229,215	(21,025,779)
Cash and cash equivalents, beginning of year	<u>25,540,458</u>	<u>46,566,237</u>
Cash and cash equivalents, end of year	<u>\$ 28,769,673</u>	<u>\$ 25,540,458</u>
Reconciliation of net operating loss to net cash provided (used) by operating activities		
Net operating loss	\$ (480,352)	\$ (321,257)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities		
Depreciation	46,879	40,106
Provision for loan losses and investment impairment	1,837,824	4,011,726
Changes in operating assets and liabilities		
Other receivables	9,982,207	(10,004,188)
Prepaid expenses	23,840	(59,526)
Accounts payable and accrued expenses	(74,371)	(48,010)
Refundable advances	<u>(3,003,693)</u>	<u>(9,323,971)</u>
Net cash provided (used) by operating activities	<u>\$ 8,332,334</u>	<u>\$ (15,705,120)</u>
Noncash activities		
Equipment acquired through capital lease	<u>\$ -</u>	<u>\$ 25,999</u>

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

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2020 and 2019

### **Nature of Organization**

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

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

The core programs the Institute operated until August 2018 were as follows:

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

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

# **MAINE TECHNOLOGY INSTITUTE**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

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 program(s) listed, the Institute also is 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, 2020 and 2019, 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.
- Maine's Marine Economy and Jobs Bond – funded by a \$7,000,000 bond approved by State of Maine voters to facilitate the growth of marine businesses and commercial enterprises that create jobs and improve the sustainability of the State's marine economy and related industries.

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

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2020 and 2019

### 1. Summary of Significant Accounting Policies

#### Basis of Presentation

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

#### Reporting Entity

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

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>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Investments	\$ <u>48,539</u>	\$ <u>48,539</u>
<b>LIABILITIES AND NET POSITION</b>		
Due to Maine Technology Institute	\$ 643	\$ 643
Refundable advances	<u>42,900</u>	<u>42,900</u>
Total liabilities	43,543	43,543
Net position	<u>4,996</u>	<u>4,996</u>
	\$ <u>48,539</u>	\$ <u>48,539</u>

MTH had no operating revenues or expenses in either 2020 or 2019.

#### Use of Estimates

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

# **MAINE TECHNOLOGY INSTITUTE**

## **Notes to Financial Statements**

**June 30, 2020 and 2019**

### **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. 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 is recognized when received due to the uncertainty of collection.

### **Allowance for Losses**

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

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

### **Credit Risk**

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

### **Property and Equipment**

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



# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2020 and 2019

### **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 2020 and 2019 were \$1,837,824 and \$5,245,005, respectively.

The Institute has recognized \$169,980 and \$162,661 in 2020 and 2019, 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 \$36,891 and \$37,605 for the years ended June 30, 2020 and 2019, respectively.

### **Risk Management**

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

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2020 and 2019

### 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.

### 2. Cash and Cash Equivalents

Cash and cash equivalents, for account balances over \$10,000, are invested in repurchase agreements, collateralized by securities held by the financial institution and assigned to the Institute. The Institute's cash and cash equivalent accounts had bank balances of \$28,850,942 and \$25,581,485 at June 30, 2020 and 2019, respectively.

### 3. Loans Receivable and Investments

The Institute's loans receivable and investments consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Loans receivable	\$ 15,378,064	\$11,372,109
Investments in privately-held companies	<u>2,430,979</u>	<u>900,767</u>
	17,809,043	12,272,876
Allowance for losses	<u>(8,170,902)</u>	<u>(6,368,883)</u>
	9,638,141	5,903,993
Less current portion	<u>(741,817)</u>	<u>(789,468)</u>
	<u>\$ 8,896,324</u>	<u>\$ 5,114,525</u>

Loans receivable have a variety of terms and due dates based on the structure of the agreement and are generally collateralized by the general business assets of the borrower. Interest rates on loans receivable range from 4-6%. The loans 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.

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2020 and 2019

### 5. Expenses

Expenses are comprised of the following:

	<u>2020</u>	<u>2019</u>
Direct program services	\$ 26,609,647	\$34,206,173
General and administrative, including nonoperating expense	<u>1,028,957</u>	<u>1,130,156</u>
	<u>\$ 27,638,604</u>	<u>\$35,336,329</u>

### 6. Leases

#### Operating Lease

The Institute leases office space under an operating lease with a five-year term expiring September 30, 2021. Rent expense is calculated on a square footage basis, excluding certain occupancy charges, and increases 2% each year. Rent expense under the lease was \$37,375 and \$33,237 in 2020 and 2019, respectively.

Future minimum lease payments due in the years subsequent to June 30, 2020 are as follows:

2021	\$ 40,705
2022	<u>10,266</u>
	<u>\$ 50,971</u>

#### Capital Lease

In September of 2018, the Institute entered into a new capital lease commitment with an interest rate of 4.69% maturing August 2023. The accumulated amortization for equipment under capital lease was \$9,533 and \$4,333 at June 30, 2020 and 2019, respectively. The leased assets are included on the balance sheet in equipment and amortization of the leased assets is included in depreciation expense.

Future minimum lease payments due in the years subsequent to June 30, 2020 are as follows:

2021	\$ 5,820
2022	5,820
2023	5,820
2024	<u>970</u>
	18,430
Less: amount representing interest	<u>1,333</u>
Obligation under capital lease	17,097
Less: current portion	<u>(5,128)</u>
Obligation under capital lease, net of current portion	<u>\$ 11,969</u>

# MAINE TECHNOLOGY INSTITUTE

## Notes to Financial Statements

June 30, 2020 and 2019

### 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, 2020 or 2019. 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>2020</u>	<u>2019</u>
Range 1	\$ 39,000	\$ 5,000
Range 2	163,000	137,000
Range 3	1,238,000	215,000
Range 4	1,192,000	80,000
Phase Zero awards	2,000	2,000
SBIR	-	52,000
Seed grants	48,000	170,000
TechStart grants	2,000	10,000
Development awards	577,000	832,000
Cluster awards	1,629,000	1,970,000
Business Accelerator grants	18,000	47,000
MTAF awards	14,759,000	27,428,000
Marine Jobs Bond	1,070,000	1,736,000
Bridge loans and notes	<u>1,015,000</u>	<u>1,535,000</u>
	<u>\$ 21,752,000</u>	<u>\$ 34,219,000</u>

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

	<u>2020</u>	<u>2019</u>
Range 1	\$ 37,200	\$ 110,000
Range 2	-	294,000
Range 3	250,000	200,000
Marine Jobs Bond	<u>-</u>	<u>400,000</u>
	<u>\$ 287,200</u>	<u>\$ 1,004,000</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, 2020 and 2019

### 9. Maine Technology Asset Fund

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

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.

### 10. Uncertainty

On March 11, 2020, the World Health Organization declared the coronavirus disease (COVID-19) a global pandemic. Local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19 by mandating the temporary shut-down of business operations. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and the scale of government actions to mitigate them. To date, the U.S. government has passed legislation which allows for increased funding to states to assist in paying for costs associated with COVID-19. However, the COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Institute operates. Therefore, while management expects this matter to impact operating results, the related financial impact and duration cannot be reasonably estimated.



## MAINE TECHNOLOGY INSTITUTE

## Statement of Activities

Year Ended June 30, 2020

		Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Expense and Changes in Net Position</u>
Business-type activities	\$ <u>27,638,604</u>	\$ <u>349,629</u>	\$ <u>26,794,832</u>	\$ <u>(494,143)</u>
Total	\$ <u>27,638,604</u>	\$ <u>349,629</u>	\$ <u>26,794,832</u>	<u>(494,143)</u>
General revenues				
Unrestricted interest and investment earnings				508,062
Other income				<u>12,807</u>
Total general revenues				<u>520,869</u>
Change in net position				26,726
Net position, beginning of year				<u>1,899,836</u>
Net position, end of year				<u>\$ 1,926,562</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.