

**THE INNOVATION AND ENTREPRENEURSHIP  
INVESTMENT AUTHORITY  
INCLUDING ITS BLENDED COMPONENT UNIT  
CENTER FOR INNOVATIVE TECHNOLOGY**

**Herndon, Virginia**

**ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**JUNE 30, 2020**



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

The management of the Innovation and Entrepreneurship Investment Authority (the Authority) offers readers of the Authority's consolidated financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the consolidated financial statements and accompanying notes.

**Reporting Entity**

For financial reporting purposes, the Authority's reporting entity consists of the Authority and its component unit organization, the Center for Innovative Technology (CIT), for which the Authority is financially accountable (blended component unit). The funds and accounts of all entities that have been identified as part of the Authority or CIT have been included. Further information can be found in Note A to the Consolidated Financial Statements.

The Authority is a political subdivision of the Commonwealth of Virginia (Commonwealth). Its mission is to grow and diversify Virginia's economy by investing in and accelerating innovation commercialization, entrepreneurship and broadband availability. CIT is a non-stock, not-for-profit corporation, which acts as the operating arm of the Authority and is a blended component unit of the Authority. Transactions are accounted for in enterprise funds and reports have been prepared on the accrual basis of accounting.

The Consolidated Statement of Net Position presents information on all of the Authority and CIT, collectively "the Organization", assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Consolidated Statement of Revenues, Expenses and Changes in Net Position presents information showing how the net position of the Organization changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow. Thus, revenues and expenses are reported in this statement for some items that are related to cash flows in prior or future fiscal periods.

Consolidated Net Position as of June 30, 2020

	2020	2019	Change
<b>Assets:</b>			
Current assets	\$ 25,867,662	\$ 13,499,073	\$ 12,368,589
Noncurrent assets	-	1,510	(1,510)
Capital assets	-	12,339,233	(12,339,233)
Total assets	25,867,662	25,839,816	27,846
<b>Liabilities:</b>			
Current liabilities	1,392,021	847,636	544,385
Long term liabilities	186,586	155,573	31,013
Total liabilities	1,578,607	1,003,209	575,398
<b>Net Position:</b>			
Net investment in capital assets	-	12,339,233	(12,339,233)
Unrestricted	24,289,055	12,497,374	11,791,681
Total net position	\$ 24,289,055	\$ 24,836,607	\$ (547,552)

As of the end of fiscal year 2020, the Organization's assets exceeded its liabilities by \$24.3 million (net position), a decrease of \$547,552 over the prior fiscal year. The ending balance is comprised entirely of unrestricted net position. Net investment in capital assets was eliminated due to the May 2020 sale of the Herndon building and related capital assets. For more detail, please refer to the Capital Assets table and corresponding text listed on page 4. Unrestricted net position balances are available to fund operations of the organization, subject to certain funding designations per the Commonwealth of Virginia's legislated budget for the Authority.

Current assets at fiscal year-end 2020 consist of \$24.7 million of cash and cash equivalents and \$1.1 million in prepaid expenses and net receivables. Current assets increased \$12.4 million from the prior year. The majority of the increase is attributable to an \$11.7 million increase in cash and the remainder due to a \$657k increase in accounts and accrued receivables on a federal contract with the U.S. Department of Homeland Security (DHS). The \$11.7 million increase in cash occurred due to \$12.5 million in proceeds received on CIT Growth Acceleration Program (GAP) investment liquidations, which included the March 2020 sale of CIT's interest in M37 Carried Interest, LLC, (M37 CI) to Savano Capital Partners (Savano) for approximately \$4.5 million, offset by a \$470k decrease in Authority cash caused by less lease revenue received as the result of building tenant vacancies. Tenant leases were terminated by the Department of General Services with the intent to vacate the property for disposal pursuant to legislated surplus property designation. See Note N for subsequent event information regarding the sale of CIT's interest in M37 CI to Savano.

The current liabilities increase of \$544,385 from fiscal year-end 2019 to 2020 is attributable to an increase in accounts payable and accrued expenses related to the award with DHS.

Consolidated Revenues, Expenses, and Changes in Net Position for the Fiscal Year Ended June 30, 2020

	2020	2019	Change
Operating revenues:			
Lease	\$ 644,427	\$ 1,007,082	\$ (362,655)
Contracts and grants & Growth Acceleration Program	4,252,201	2,192,595	2,059,606
Miscellaneous	181,415	119,774	61,641
Total operating revenues	<u>5,078,043</u>	<u>3,319,451</u>	<u>1,758,592</u>
Operating expenses:			
CIT expenses	16,363,480	14,206,663	2,156,817
Building and Authority administrative	1,047,155	1,309,439	(262,284)
Depreciation	620,486	753,660	(133,174)
Total operating expenses	<u>18,031,121</u>	<u>16,269,762</u>	<u>1,761,359</u>
Non-operating revenues/(expenses):			
Appropriations from the Commonwealth of Virginia	12,890,091	10,938,498	1,951,593
Interest revenue and gain on investment	11,151,801	2,031,931	9,119,870
Member draws	-	(914)	914
Loss on disposal of fixed assets	<u>(11,636,367)</u>	<u>-</u>	<u>(11,636,367)</u>
Total non-operating revenues/(expenses)	<u>12,405,525</u>	<u>12,969,515</u>	<u>(563,990)</u>
Change in net position	(547,553)	19,204	(566,757)
Net position at July 1, beginning fiscal year	<u>24,836,607</u>	<u>24,817,403</u>	<u>19,204</u>
Net position at June 30, ending fiscal year	<u>\$ 24,289,054</u>	<u>\$ 24,836,607</u>	<u>\$ (547,553)</u>

Approximately 44% of the Organization's consolidated revenue comes from Commonwealth of Virginia appropriations. The remainder is from CIT contracts and grants revenue with federal entities, GAP investment proceeds, and interest income.

Interest revenue and gain on investment increased by \$9.1 million from proceeds on GAP investment liquidations. The proceeds are designated for re-investment in GAP portfolio companies.

Multiple factors caused the \$2.2 million increase in CIT expenses in fiscal year 2020 as compared to fiscal year 2019. There was an increase in Commonwealth Research Commercialization Fund (CRCF) grants and GAP Fund investments, as well as increased costs on a federal contract with DHS for the Smart Cities IoT Innovation SCITI Labs Project. The contract's objective is to design, develop, prototype, and evaluate emergency response and management technologies and tools for first responders and DHS component units; advance the applied use of Smart City and Internet of Things (IoT) sensors; and the applied situational awareness, decision support, and commercialization support services to the DHS Science and Technology (S&T) First Responders Group, DHS S&T Apex Programs, and DHS Component Units.

At the start of the fiscal year, total capital assets net of depreciation were valued at \$12.3M as noted in the following table. With additional current year depreciation expense incurred prior to the sale of the Herndon building, the Authority recorded a loss on disposal of capital assets of \$11.6 million in fiscal year 2020 with the sale transaction. \$47.35 million of sale proceeds were received by the Department of General Services and, pursuant to legislation, distributed to the Virginia Research Investment Fund. For more detail, please refer to the Capital Assets table with corresponding text listed on the next page and Footnote F.

## Capital Assets

### Capital Assets as of June 30, 2020

	2020	2019	Change
Land and land improvements	\$ -	\$ 5,161,665	\$ (5,161,665)
Building and improvements (net of depreciation)	-	7,177,568	(7,177,568)
Trademark	-	490	(490)
Total capital assets	<u>\$ -</u>	<u>\$ 12,339,723</u>	<u>\$ (12,339,723)</u>

The Virginia General Assembly 2017 Session, Chapter 836, designated the Authority's real property and improvements, located in Herndon, Virginia, as surplus property. In May 2020, the Commonwealth closed on the sale of the Herndon property. As a result, the Authority's capital asset balance, net of depreciation, is \$0 at the end of fiscal year 2020.

### **Economic Outlook**

Legislation was passed during the FY2020 General Assembly session to establish the Virginia Innovation Partnership Authority (VIPA) on July 1, 2020 and repeal the Innovation and Entrepreneurship Investment Authority (Authority) on June 30, 2020. VIPA was created to support the life cycle of innovation, from translational research; to entrepreneurship; to pre-seed and seed stage funding; and to acceleration, growth, and commercialization, resulting in the creation of new jobs and company formation. A collaborative, consistent, and consolidated approach will assist the Commonwealth in identifying its entrepreneurial strengths, including the identification of talents and resources that make the Commonwealth a unique place to grow and attract technology-based businesses. VIPA is the successor in interest to the Authority and the Virginia Research Investment Committee (VRIC). Legislation defines a new VIPA board structure and names CIT as the managing non-profit of VIPA. VIPA consolidates specific Commonwealth appropriated economic development initiatives, known as Centers of Excellence, under one umbrella, including the Virginia Biosciences Health Research Corporation, the Commonwealth Center for Advanced Manufacturing, the Commonwealth Cyber Initiative, and the Commonwealth Center for Advanced Logistics.

As a result of the COVID-19 outbreak, for the health and safety of CIT staff and the communities they serve, in March 2020 CIT began teleworking with office access subject to enhanced safety protocols. CIT implemented virtual engagement strategies with internal and external communities served. Events migrated to virtual platforms where possible and deferred when necessary. The organization continues to monitor local, state, national, and scientific guidance. The financial and programmatic activity impact has been minimal and is expected to continue as such, as businesses begin to transition back to offices and an in-person working environment.

CONSOLIDATED FINANCIAL STATEMENTS

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with  
CENTER FOR INNOVATIVE TECHNOLOGY

**CONSOLIDATED STATEMENT OF NET POSITION**

As of June 30, 2020

**ASSETS**

Current assets:

Cash and cash equivalents (Note C)	\$	24,724,985
Prepaid expenses and deposits		186,520
Accounts and accrued receivables (Note D)		893,397
Due from Commonwealth of Virginia		62,520
Notes receivable (Note E)		3,636,167
Less: allowance for doubtful accounts		(3,636,167)
Interest in MACH 37 LLC		240
Total current assets		<u>25,867,662</u>

Noncurrent assets:

Notes receivable (Note E)		1,969,789
Less: allowance for doubtful accounts		(1,969,789)
Total noncurrent assets		<u>-</u>

**Total assets** **25,867,662**

**LIABILITIES**

Current liabilities:

Accounts payable		876,996
Accrued expenses		463,025
Compensated absences (Note H)		30,000
Unearned revenue		22,000
Total current liabilities		<u>1,392,021</u>

Long Term liabilities:

Compensated absences (Note H)		186,586
Total long term liabilities		<u>186,586</u>

**Total liabilities** **1,578,607**

**NET POSITION**

Unrestricted		24,289,055
<b>Total net position</b>	<b>\$</b>	<u><u><b>24,289,055</b></u></u>

The accompanying Notes to Consolidated Financial Statements are an integral part of this consolidated financial statement.



INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with  
 CENTER FOR INNOVATIVE TECHNOLOGY

**CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, and CHANGES IN NET POSITION**

For the Fiscal Year Ended June 30, 2020

<b>Operating revenues:</b>	
Lease	\$ 644,427
Contracts and grants	2,508,682
Growth Acceleration Program	1,743,519
Sponsorship and Miscellaneous	181,415
	<hr/>
<b>Total operating revenues</b>	<b>5,078,043</b>
<b>Operating expenses:</b>	
Program expenses:	
Research and development	3,708,164
Entrepreneur	6,863,450
Strategic Initiatives	2,339,451
Broadband	606,907
Commonwealth support	2,301,655
	<hr/>
<b>Total program expenses</b>	<b>15,819,627</b>
<b>Other expenses:</b>	
Communications and marketing	480,368
Building management	34,290
Advocacy and other unallowable expenses	29,195
Building and Authority administrative	1,047,155
Depreciation	620,486
	<hr/>
<b>Total other expenses</b>	<b>2,211,494</b>
	<hr/>
<b>Total operating expenses</b>	<b>18,031,121</b>
	<hr/>
<b>Operating loss</b>	<b>(12,953,078)</b>
<b>Non-operating revenues/(expenses):</b>	
Appropriations from the Commonwealth of Virginia	12,890,091
Interest revenue	408,390
Gain on investment	10,743,411
Loss on disposal of fixed assets	(11,636,367)
	<hr/>
<b>Total non-operating revenues/(expenses)</b>	<b>12,405,525</b>
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<b>Change in net position</b>	<b>(547,553)</b>
Change in net position	(547,553)
Net position at July 1, 2019	24,836,608
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<b>Net position at June 30, 2020</b>	<b>\$ 24,289,055</b>
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The accompanying Notes to Consolidated Financial Statements are an integral part of this consolidated financial statement.

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with  
 CENTER FOR INNOVATIVE TECHNOLOGY  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
 For the Fiscal Year Ended June 30, 2020

Cash flows from (used by) operating activities:	
Leases	\$ 467,073
Contracts and grants revenue received	1,839,700
Growth Acceleration Program revenue received	1,743,519
Sponsorship revenue	24,000
Miscellaneous receipts	179,415
Payments to CRCF recipients	(2,553,938)
Payments to Growth Acceleration Program recipients	(3,254,386)
Payments to vendors	(6,991,712)
Security deposits paid (net of receipts)	(1,800)
Payments to employees	(3,799,960)
	<hr/>
<b>Net cash used by operating activities</b>	<b>(12,348,089)</b>
Cash flows from non-capital financing activities:	
Appropriations received from the Commonwealth of Virginia	12,898,802
	<hr/>
<b>Net cash provided by non-capital financing activities</b>	<b>12,898,802</b>
Cash flows from investing activities:	
Proceeds from disposal of investments	10,755,455
Interest received	266,473
	<hr/>
<b>Net cash used by investing activities</b>	<b>11,021,928</b>
Cash flows from capital and related financing activities:	
Proceeds from sale of capital assets	82,380
	<hr/>
<b>Net cash provided by capital and related financing activities</b>	<b>82,380</b>
<b>Net increase in cash and cash equivalents</b>	<b>11,655,021</b>
Cash and cash equivalents at July 1, 2019	13,069,964
	<hr/>
<b>Cash and cash equivalents at June 30, 2020</b>	<b>\$ 24,724,985</b>
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The accompanying Notes to Consolidated Financial Statements are an integral part of this consolidated financial statement.

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY AND  
 CENTER FOR INNOVATIVE TECHNOLOGY  
**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**  
 For the Fiscal Year Ended June 30, 2020

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Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (12,953,078)
Adjustments to reconcile operating loss to net cash:	
Non-cash item - Depreciation	620,486
Non-cash item - note receivable interest applied to new note or equity conversion	141,918
Changes in assets and liabilities:	
Increase in accounts and accrued receivables, net of allowance	(663,057)
Increase in prepaid expenses and deposits	(9,740)
Increase in due from Commonwealth of Virginia	(61,036)
Decrease in unamortized leasing commissions and rent abatement	1,020
Increase in accounts payable	452,446
Increase in accrued expenses	255,018
Decrease in unearned revenue	(161,280)
Decrease in security deposits	(1,800)
Increase in compensated absences	31,013
	<hr/>
<b>Net cash used by operating activities</b>	<b>\$ (12,348,090)</b>
	<hr/> <hr/>
Non-cash investing, capital and financing activities:	
Loss on Disposal of Capital Assets	\$ 11,718,747
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<b>Total Non-cash investing, capital and financing activities</b>	<b>\$ 11,718,747</b>
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The accompanying Notes to Consolidated Financial Statements are an integral part of this consolidated financial statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE A – DESCRIPTION OF ORGANIZATION**

The consolidated financial statements include the accounts of the Innovation and Entrepreneurship Investment Authority (the Authority) and its blended component unit, the Center for Innovative Technology (CIT), collectively “the Organization”. The Authority is a political subdivision of the Commonwealth of Virginia (the Commonwealth), as authorized by the Innovation and Entrepreneurship Investment Authority Acts of 2009, as amended, Title 2.2, Chapter 22 of the Code of Virginia. The Innovation and Entrepreneurship Investment Authority Act provides for the Authority to form a non-stock corporation to carry out the mission of the Authority. CIT is the non-stock, not-for-profit corporation created for this purpose, and it acts as the operating arm of the Authority. The mission of CIT is to grow and diversify Virginia’s economy by investing in and accelerating innovation commercialization, entrepreneurship and broadband availability. The Virginia General Assembly 2019 Session, Virginia Acts of Assembly Chapter 854 authorizes the Authority to transfer funds appropriated to it by the Commonwealth to CIT for use in realizing its mission.

The financial statements of the Authority, including its blended component unit CIT, are intended to present the financial position and the changes in financial position and cash flows on only that portion of the financial reporting entity of the Commonwealth that is attributable to the transactions of the Organization. A separate report is prepared for the Commonwealth that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises oversight authority. The Authority is a component unit of the Commonwealth and is included in the basic financial statements of the Commonwealth. Consolidating financial statements for the Authority and CIT can be found in the Supplementary Information section of the Annual Financial Statement report. Legislation was passed during the FY2020 General Assembly session to establish the Virginia Innovation Partnership Authority (VIPA) on July 1, 2020 as the successor in interest to IEIA and repeal the Innovation and Entrepreneurship Investment Authority (Authority) on June 30, 2020, at which time IEIA’s operations ceased. See Footnote N for additional information.

## **NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting – The consolidated financial statements of the Organization have been prepared using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of cash flows.

Basis of Consolidation – The consolidated financial statements incorporate the financial statements of the Authority and CIT. Significant inter-organizational transactions, comprised of inter-company rent and other operating costs and gains and losses in investments in related companies, have been eliminated.

Use of Estimates – Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of consolidated assets and liabilities at the date of the consolidated financial statements. On an ongoing basis, the Organization’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization’s management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

## **NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Allocation Method – CIT uses the full-cost allocation approach using historically approved indirect rates to allocate indirect costs among activities for all program areas, including those that are billable to the Federal government on a cost-reimbursement basis. CIT allocates indirect costs based on three rates: fringe, overhead and general and administrative costs. The fringe and overhead rates are applied to functions based upon direct labor cost. The general and administrative rate is applied to functions based upon total cost. Included within the accrued expenses line item is the amount CIT has estimated is owed to the Federal government based on the delay of when CIT receives the approved indirect rates versus when the billing occurs. For annual financial statement presentation, CIT allocates the under/over-applied indirect costs to the applicable program area(s).

Consolidated Net Position – The net position of the Organization and changes therein are classified and reported as follows:

*Net Investment in Capital Assets* – Component of net position consisting of capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Unrestricted Net Position* – Component of net position available for use in general operations and not subject to restrictions.

*Restricted Net Position* – Component of net position consisting of restricted assets reduced by liabilities related to those assets. Net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

As of June 30, 2020, net position of the Organization was classified as unrestricted net position.

Revenue Recognition – Revenue is recognized when earned. Payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred. Contributions are recognized when cash, securities or other assets, or notification of a beneficial interest is received.

Prepaid Expenses and Deposits – Prepaid expenses and deposits represent amounts paid prior to delivery of the related service.

Accounts Receivable – Accounts receivable are primarily unsecured non-interest-bearing amounts due from contracts and grants. The Organization provides an allowance for doubtful collections, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Normal accounts receivable are due 30 days after issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer/grantor.

Due from/to Commonwealth of Virginia – Amounts due from/to the Commonwealth consist of appropriations receivable related to the Commonwealth Research Commercialization Fund administration expenses plus/offset by an outstanding receivable/payable for losses/profits associated with the Commonwealth's leasing of the midrise portion of the Authority's building that occurred prior to the May 2020 sale of the building.

Capital Assets – Property and equipment are stated at cost at the date of acquisition or, in the case of gifts, at fair market value at the date of donation. Capital assets are recorded for items with a cost of \$5,000 or more and a useful life of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expenses as incurred. Depreciation is recognized using the straight-line method over the useful lives of the assets – 5 to 40 years for the building and related improvements and 3 to 10 years for furniture, fixtures and equipment.

## **NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Land, buildings and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the consolidated financial statement for the fiscal year ended June 30, 2020.

At the time of the Herndon property sale in May 2020, the Authority sold all land and depreciable assets. See reference footnote F for further detail.

Accounts payable and accrued expenses – Accounts payable and accrued expenses represent amounts owed for goods and services received but not paid prior to year-end. Accounts payable are vendor expenses with invoices currently in process for payment in the near future. Accrued expenses are liabilities that are estimable (invoice not received). Additionally, a portion of accrued expenses reflects what is due for overapplied indirect rates from the indirect cost allocation process for federal programs.

Compensated Absences – Compensated absences account for the Organization's liability for compensated time off earned by employees but not taken as of June 30, 2020.

Operating and Non-Operating Activity – Most of the financial activity of the Organization is a result of operations. Operating activities are directly related to the Organization's promotion of the Commonwealth's economic growth.

Currently, non-operating activity relates to appropriations from the Commonwealth and investment activities.

Gain on Investment – This non-operating activity is related to investments made in Growth Acceleration (GAP) portfolio companies. The gain could be related to note repayments, acquisitions or mergers, or sale of stock. See Footnotes E and J for more information regarding notes receivable and equity positions.

Income Taxes – The Authority is a political subdivision of the Commonwealth; and, therefore, is exempt from federal income tax.

CIT is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though tax can be levied on income unrelated to the exempt purpose of CIT (unless that income is otherwise excluded by the IRC). Contributions to CIT are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

For all open tax years for all major taxing jurisdictions, management of the Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. Management does not expect that its assessment regarding unrecognized tax positions will materially change over the next 12 months.

Generally, tax returns of the Organization's entities remain open to inspection by federal, state and local authorities for three years from the date of filing. Returns for fiscal years ended June 30, 2017 and later (CIT) and calendar years ended December 31, 2018 (for previously majority-owned subsidiaries M37 Equity Pool, LLC and M37 Carried Interest, LLC) and later remain subject to examination.

## **NOTE C – CASH AND INVESTMENTS**

The investment policy of the Organization, established and monitored by the Board of Directors, complies with the Investment of Public Funds Act, Code of Virginia Section 2.2-4500 – 4518. The investment policy establishes guidelines for the quality of investments, maturities and investment yields. Cash and cash equivalents represent deposits and short-term investments with original maturity dates of up to 90 days.

## NOTE C – CASH AND INVESTMENTS (continued)

Custodial Credit Risk - All deposits of the Organization are maintained in accounts covered by federal depository insurance and collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia, as amended, which provides for an assessable multiple financial institution collateral pool.

Disclosure is required for risk associated with uncollateralized cash deposits and uninsured and unregistered securities held by a counterparty, or its trust department or agent, but not in the Organization's name. As of June 30, 2020, the Organization had no deposits or investments exposed to custodial credit risk.

*Concentration of Credit Risk* – Disclosure of any one issuer is required when it represents five percent or more of total investments. At June 30, 2020, the Organization had no investments greater than five percent.

*Foreign Currency Risk* – Disclosure is required for investments exposed to changes in exchange rates that could adversely affect the fair value of an investment or deposit. The Organization had no foreign investment or deposits during the fiscal year ended June 30, 2020.

*Credit Risk* – Disclosure of the credit quality rating is required for investments exposed to the risk an issuer or other counterparty will not fulfill its obligations. At June 30, 2020, the Organization had cash and cash equivalents as shown in the chart below:

	<u>Credit Rating</u>	<u>Amount</u>
Cash, cash equivalents and investments:		
Cash		\$ 153,296
Local Government Investment Pool	AAAm	<u>24,571,689</u>
Total cash, cash equivalents and investments		<u>\$ 24,724,985</u>

The Local Government Investment Pool (LGIP) enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is managed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in the LGIP should also report their investments in the LGIP at amortized cost. The LGIP is rated AAAM by Standard & Poor's rating service.

## NOTE D – ACCOUNTS and ACCRUED RECEIVABLES

At June 30, 2020, CIT held accounts receivable, related to contracts and grants, of \$893,397.

## NOTE E – NOTES RECEIVABLE

As of June 30, 2020, CIT had 72 convertible note purchase agreements with 59 emerging companies under its Growth Acceleration Program (GAP).

The promissory notes have maturity dates of 6 to 36 months from issuance. Payment due at maturity includes principal plus interest, at rates ranging from 1% to 20%.



## NOTE E – NOTES RECEIVABLE (continued)

In some cases, CIT has granted extensions as the notes have become due. At CIT's option, CIT may convert certain notes into company equity, subject to terms of the related note.

Notes due to be repaid within one fiscal year have been classified as Current Notes Receivable. Notes due to be repaid after one fiscal year or longer have been classified as Noncurrent Notes Receivable.

At June 30, 2020, CIT held \$5,605,956 in notes receivable. Due to the risk involved with emerging-stage companies, CIT elects to set up an allowance for the full amount when a promissory note is issued. At fiscal year-end, CIT set up a full allowance of \$5,605,956.

## NOTE F – CAPITAL ASSETS

The Organization had the following capital asset activities as of and during the year ended June 30, 2020:

	Beginning Balance	Acquisitions and Additions	Sales and Dispositions	Ending Balance
Land and land improvements	\$ 5,161,665	\$ -	\$ (5,161,665)	\$ -
Building and improvements	27,779,330	-	(27,779,330)	-
Accumulated Depreciation	(20,601,762)	(620,486)	21,222,248	-
Furniture, Fixtures, and Equipment	693,722	-	(457,658)	236,064
Accumulated Depreciation	(693,722)	-	457,658	(236,064)
Trademark	-	-	-	-
Total	<u>\$ 12,339,233</u>	<u>\$ (620,486)</u>	<u>\$ (11,718,747)</u>	<u>\$ -</u>

## NOTE G – CONCENTRATION OF REVENUE

For the fiscal year ended June 30, 2020, approximately 44% of the Organization's revenue was from appropriations received from the Commonwealth of Virginia.

## NOTE H – COMPENSATED ABSENCES

It is CIT's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since CIT does not have a policy to pay any amounts when employees separate from service. All vacation pay is accrued when incurred. Each employee may carry the equivalent of two weeks of annual leave forward to the following calendar year.

## NOTE I – COMMITMENTS

As the date of this report, CIT has entered into two operating leases. Rental expense for operating leases for the year ended June 30, 2020 was \$72,149 for CIT. CIT has the following minimum rental payments due under operating leases, as of June 30, 2020:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 86,480
2022	\$ 19,741
Total	<u>\$ 106,221</u>

## NOTE J – EQUITY POSITIONS

At June 30, 2020, CIT held equity positions in 84 start-up organizations, obtained through CIT's GAP Fund. The equity was obtained by exercising conversion options in the GAP Fund note purchase agreements and through cash purchases.

The equity in the companies are not traded on the open market so it is difficult to determine a market value for the equity positions without full company valuations. Because there is no clear assessment of value, the Organization has not recorded the equity positions as assets and as such, CIT's GAP Fund equity portfolio not traded on the open market, as of June 30, 2020 are listed in detailed below:

Company Name	Number of Shares / Units	Equity Type
418 Intelligence Corp.	131,602	Preferred
Anatrope, Inc.	80,000	Common
Aquanta, Inc.	2,679,389	Preferred
Archemedx, Inc	305,975	preferred
Ario, Inc.	57,180	Preferred
Atomic Corporate Industries, Inc.	100,454	Preferred
Axon Ghost Sentinel, Inc.	80,000	Common
Biorez, Inc (Formerly Soft Tissue Regeneration, Inc)	330	Preferred
Blue Triangle Technologies, Inc.	12,955	Preferred
Brazen Careerist, Inc.	560,734	Preferred
Card Isle Corporation	200	Preferred
CargoSense, Inc.	321,395	Preferred
Caveonix/Eunomic Inc.	80,000	Common
Cervais, Inc.	136,122	Common
ChurnZero, Inc.	476,810	Preferred
Cirrusworks, Inc.	163,040	Preferred
Cirrusworks, Inc.	205,210	Common
Cont3nt.com, Inc.	133,262	Preferred
Conraline, Inc.	87,186	Preferred
Curbside Kitchen, Inc	214,285	Preferred
Cyber 20/20, Inc.	100,578	Common
CynjaTech, LLC	373,636	Units
Cyph, Inc.	487,804	Common
CySecure, Inc.	160,952	Common
Dark3, Inc.	64,194	Preferred
Deep Sig, Inc	494,097	Preferred
EdConnective, Inc.	200,000	Common
Embody, Inc	353,036	Preferred
Fend, Inc	N/A	SAFE
Fitnet Corporation	965	Preferred
Gathering, Inc. (aka Rize)	699,077	Preferred
GovTribe Inc.	4,037	Preferred
Gryphn Corporation, Inc. (Uppidy)	24,621	Preferred
Harbinger Technology Solutions, LLC	107,497	Preferred
Hashlit, Inc. (Cosha)	125,000	Preferred
Hideez Group, Inc.	428,810	Common
Hungry Marketplace, Inc.	191,681	Preferred
Hypercube Technologies, Inc.	400,000	Common
Hypercube Technologies, Inc.	N/A	SAFE
iAspire, LLC	97,561	Common
ID.ME, Inc.	203,206	Preferred
INF Robotics Inc.	N/A	SAFE
Introhive, Inc.	322,580	Preferred

CIT's GAP Fund equity portfolio not traded on the open market, as of June 30, 2020 (continued):

<b>Company Name</b>	<b>Number of Shares/ Units</b>	<b>Equity Type</b>
iTi Health, Inc.	62,696	Preferred
Liteldeas, LLC	48,678	Preferred
LiveSafe, Inc.	101,153	Preferred
Locurity Inc.	80,000	Common
Loop88, Inc.	43,450	Preferred
Manor Financial Inc. (Upsidedoor)	238,435	Preferred
MarginEdge Co.	402,539	Preferred
Maternity Neighborhood, Inc.	200,000	Preferred
Micronic Technologies, Inc.	25,964	Preferred
Mobilesense Technologies, Inc. (Mobilephire)	451,329	Common
Ostendio, Inc.	77,044	Preferred
Ostendio, Inc.	45,060	Series A-4
Panaceutics Nutrition, Inc	125,000	Preferred
PerformYard, Inc.	347,830	Preferred
Piedmont BioProducts, LLC	300	Ownership Interest/units
Plutus Privacy Security, Inc.	200	Common
Power Fingerprinting, Inc.	21,672	Preferred
PublicRelay, Inc.	985,027	Preferred
Pype, Inc.	1,845,722	Common
Quirk, Inc.	376,000	Common
RunSafe Security, Inc.	614,777	Preferred
SceneThink, Inc.	769	Preferred
Senseware, Inc.	723,788	Preferred
Shevirah Inc.	519,481	Preferred
Shiftone, Inc (MomentSnap)	321,015	Preferred
Sitscape Inc.	37	Common
Societas Analytics, Inc. (Anova Intelligence)	40,000	Common
Status Identity, Inc.	40,000	Common
Suvola Corporation	212,189	Common
Syllab Systems, Inc	300,000	Common
Syncurity Corporation	8,000	Common
TearSolutions, Inc.	82,680	Preferred
Tensor Wrench, Inc.	853	Common
Territory Foods, Inc.	286,530	Common
ThreatLocker, Inc.	4,000	Common
ThreatQuotient, Inc.	440,691	Preferred
Two Six Labs Holdings, Inc.	827,290	Preferred
Urgent.Ly Inc.	106,945	Preferred
Vangogh Imaging, Inc.	80,000	Common
Vangogh Imaging, Inc.	200,000	Preferred
Virgil Security, Inc.	439,000	Common
Wealthengine, Inc. (Brightcontext)	47,002	Preferred
WealthForge, LLC	33,422	Preferred
Zoobean, Inc.	1,256,982	Preferred
Zoomph, Inc.	133,333	Preferred

## **NOTE K - EMPLOYEE BENEFITS**

CIT has a defined contribution retirement plan covering substantially all employees. Under the plan, CIT makes contributions fixed at a percentage of each employee's compensation to pay premiums for individual retirement annuity contracts written by the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Plan contributions are fully and immediately vested and amounts are non-forfeitable. Additional tax-deferred contribution, subject to certain limitations, may be made by the employees through a salary reduction program. Pension expense for the plan totaled \$413,759 for the fiscal year ended June 30, 2020.

## **NOTE L - CONTINGENT LIABILITIES**

At June 30, 2020, CIT had a contingent liability related to a letter of commitment for a GAP investment of \$50,000. The letter of commitment states CIT's intention to enter into a convertible note purchase agreement with the company, subject to certain conditions. CIT invested in this company subsequent to year-end.

## **NOTE M - RISK MANAGEMENT**

The Authority and CIT are exposed to various risks of loss related to: torts, theft, or damage and destruction to assets, injuries to employees, and natural disasters. Risk management insurance includes general liability, property, directors and officers, errors and omissions, equipment, and worker's compensation. The Authority is insured through the Commonwealth's Risk Management Program. CIT is insured through commercial insurance policies with The Hartford, and Philadelphia Indemnity Insurance Company, CIT's health care plan is administered by Anthem. M37 Carried Interest, LLP (M37 CI), a previously majority-owned subsidiary, was insured through a commercial insurance policy with Armfield, Harrison & Thomas, Inc. (AHT) Insurance until CIT sold its interest in M37 CI in March 2020. After the date of sale, a 5 year tail policy was purchased from AHT to cover CIT's previously owned interest in M37 CI.

## **NOTE N – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 30, 2021, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

VIPA Legislation – Legislation was passed during the FY2020 General Assembly session to establish the Virginia Innovation Partnership Authority (VIPA) on July 1, 2020, and repeal the Innovation and Entrepreneurship Investment Authority (Authority) on June 30, 2020. VIPA was created to support the life cycle of innovation, from translational research; to entrepreneurship; to pre-seed and seed stage funding; and to acceleration, growth, and commercialization, resulting in the creation of new jobs and company formation. A collaborative, consistent, and consolidated approach will assist the Commonwealth in identifying its entrepreneurial strengths, including the identification of talents and resources that make the Commonwealth a unique place to grow and attract technology-based businesses. VIPA is the successor in interest to IEIA and the Virginia Research Investment Committee (VRIC). Legislation defines a new VIPA board structure and names CIT as the managing non-profit of VIPA. VIPA consolidates specific Commonwealth appropriated economic development initiatives, known as Centers of Excellence, under one umbrella including the Virginia Biosciences Health Research Corporation, the Commonwealth Center for Advanced Manufacturing, the Commonwealth Cyber Initiative, the Commonwealth Center for Advanced Logistics, and Virginia Academy of Engineering, Science and Medicine.

Savano Capital Partners III, LLC v. Center for Innovative Technology – On May 10, 2021, Savano Capital Partners III, LLC (Savano) filed a complaint against the Center for Innovative Technology (CIT), in Fairfax County, Virginia, Circuit Court, seeking to rescind or otherwise invalidate a Membership Interest Purchase

#### **NOTE N – SUBSEQUENT EVENTS (continued)**

Agreement (MIPA) dated March 20, 2020, by and between Savano and CIT. Pursuant to the MIPA, CIT sold to Savano its interest in M37 Carried Interest, LLC (M37 CI), which held shares in a portfolio of ten companies that had participated in the MACH37 Cyber Accelerator program. Since the sale, the former CEO of one of the portfolio companies, NS8 Inc. (NS8), has been criminally charged with investor fraud and NS8 has since declared bankruptcy. Notwithstanding that in the MIPA CIT made no representations or warranties regarding the financial condition of the portfolio companies and Savano represented and warranted that it relied solely on its own investigation of the portfolio companies, Savano seeks to rescind the MIPA based on claims that: (1) both CIT and Savano were under an alleged mistaken belief as to NS8's true financial condition at the time the MIPA was signed; and (2) CIT engaged in an "innocent fraud" in its sale of CIT's interest in M37 CI. CIT has not been accused of any wrongdoing or prior knowledge of the fraud investigation into NS8. As relief, Savano seeks a return of the full purchase price of \$4,475,652 it paid to CIT under the MIPA or alternatively, \$4.4 million in compensatory damages for the alleged value that Savano placed on M37's interest in NS8. In response, through Miles & Stockbridge as legal counsel, CIT filed a Demurrer seeking to dismiss Savano's complaint. By order dated July 23, 2021, the Court denied the Demurrer. On August 6, 2021, CIT filed an Answer to the Complaint denying liability and a Counterclaim alleging that Savano's pursuit of its claim in this case constitutes a material breach of provisions of the MIPA. CIT seeks damages of attorneys' fees incurred in defending this case. There is no Scheduling Order in the case and the parties have just begun discovery. At this early state of the litigation, we are unable to predict the outcome of the case.

SUPPLEMENTARY INFORMATION

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with  
 CENTER FOR INNOVATIVE TECHNOLOGY

**CONSOLIDATING STATEMENT OF NET POSITION**

As of June 30, 2020

	Authority	CIT	Eliminating Entry	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,584,253	\$ 22,140,732	\$ -	\$ 24,724,985
Accounts and accrued receivables	-	893,397	-	893,397
Due from COV	62,520	-	-	62,520
Prepaid expenses and deposits	-	186,520	-	186,520
Notes receivable	-	3,636,167	-	3,636,167
Less: allowance for doubtful accounts	-	(3,636,167)	-	(3,636,167)
Due from IEIA	-	42,071	(42,071)	-
Interest in MACH37	-	240	-	240
<b>Total current assets</b>	<b>2,646,773</b>	<b>23,262,960</b>	<b>(42,071)</b>	<b>25,867,662</b>
Noncurrent assets:				
Notes receivable	-	1,969,789	-	1,969,789
Less: allowance for doubtful accounts	-	(1,969,789)	-	(1,969,789)
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>2,646,773</b>	<b>23,262,960</b>	<b>(42,071)</b>	<b>25,867,662</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	149,737	727,259	-	876,996
Accrued expenses	-	463,025	-	463,025
Compensated absences	-	30,000	-	30,000
Unearned revenue	-	22,000	-	22,000
Due to CIT	42,071	-	(42,071)	-
<b>Total current liabilities</b>	<b>191,808</b>	<b>1,242,284</b>	<b>(42,071)</b>	<b>1,392,021</b>
Long Term liabilities:				
Compensated absences	-	186,586	-	186,586
<b>Total long term liabilities</b>	<b>-</b>	<b>186,586</b>	<b>-</b>	<b>186,586</b>
<b>Total liabilities</b>	<b>191,808</b>	<b>1,428,870</b>	<b>(42,071)</b>	<b>1,578,607</b>
<b>NET POSITION</b>				
Unrestricted	2,454,965	21,834,090	-	24,289,055
<b>Total net position</b>	<b>\$ 2,454,965</b>	<b>\$ 21,834,090</b>	<b>\$ -</b>	<b>\$ 24,289,055</b>

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY with  
 CENTER FOR INNOVATIVE TECHNOLOGY  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
 For the Fiscal Year Ended June 30, 2020

	Authority	CIT	Eliminating Entry	Total
<b>Operating revenues:</b>				
Lease	\$ 644,427	\$ -	\$ -	\$ 644,427
Contracts and grants	-	2,508,682	-	2,508,682
Growth Acceleration Program	-	1,743,519	-	1,743,519
Sponsorship and Miscellaneous	-	181,415	-	181,415
<b>Total operating revenues</b>	<b>644,427</b>	<b>4,433,616</b>	<b>-</b>	<b>5,078,043</b>
<b>Operating expenses:</b>				
Program expenses:				
Research and development	-	3,708,164	-	3,708,164
Entrepreneur	-	6,863,450	-	6,863,450
Strategic Initiatives	-	2,339,451	-	2,339,451
Broadband	-	606,907	-	606,907
Commonwealth support	-	2,301,655	-	2,301,655
<b>Total program expenses</b>	<b>-</b>	<b>15,819,627</b>	<b>-</b>	<b>15,819,627</b>
<b>Other expenses:</b>				
Communications and marketing	-	480,368	-	480,368
Building management	-	34,290	-	34,290
Advocacy and other unallowable expenses	-	29,195	-	29,195
Building and Authority administrative	1,047,155	-	-	1,047,155
Depreciation	620,486	-	-	620,486
<b>Total other expenses</b>	<b>1,667,641</b>	<b>543,853</b>	<b>-</b>	<b>2,211,494</b>
<b>Total operating expenses</b>	<b>1,667,641</b>	<b>16,363,480</b>	<b>-</b>	<b>18,031,121</b>
<b>Operating loss</b>	<b>(1,023,214)</b>	<b>(11,929,864)</b>	<b>-</b>	<b>(12,953,078)</b>
<b>Non-operating revenues/(expenses):</b>				
Appropriations from the Commonwealth of Virginia	12,890,091	-	-	12,890,091
Interest revenue	45,568	362,822	-	408,390
Gain (Loss) on disposal of fixed assets	(11,636,367)	-	-	(11,636,367)
Gain (Loss) on investment	-	10,743,411	-	10,743,411
<b>Total non-operating revenues/(expenses)</b>	<b>1,299,292</b>	<b>11,106,233</b>	<b>-</b>	<b>12,405,525</b>
Income/(loss) before transfers and other comprehensive income	276,078	(823,631)	-	(547,553)
Transfers (out)/in - Appropriations	(12,890,091)	12,890,091	-	-
Transfers (out)/in - CIT Richmond rent	(65,726)	65,726	-	-
<b>Change in net position</b>	<b>(12,679,739)</b>	<b>12,132,186</b>	<b>-</b>	<b>(547,553)</b>
Change in net position	(12,679,739)	12,132,186	-	(547,553)
Net position at July 1, 2019	15,134,704	9,701,904	-	24,836,608
<b>Net position at June 30, 2020</b>	<b>\$ 2,454,965</b>	<b>\$ 21,834,090</b>	<b>\$ -</b>	<b>\$ 24,289,055</b>



APPENDIX A  
Independent Auditor's Report on Financial Statements



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

August 31, 2021

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Kenneth R. Plum  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Directors  
Virginia Innovation Partnership Authority and  
Center for Innovative Technology

## INDEPENDENT AUDITOR'S REPORT

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Innovation and Entrepreneurship Investment Authority, a component unit of the Commonwealth of Virginia, including its blended component unit, the Center for Innovative Technology, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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 accounting principles generally accepted in the United States of America; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards,

issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statement presentation.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages one through four 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 auditing standards generally accepted in the United States of America, 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 or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Consolidating Statement of Net Position and the Consolidating Statement of Revenues, Expenses, and Changes in Net Position (Consolidating Statements) are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Consolidating Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 auditing standards generally accepted in the United States of America. In our opinion, the Consolidating Statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

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APPENDIX B  
Agency Officials

INNOVATION and ENTREPRENEURSHIP INVESTMENT AUTHORITY  
And  
CENTER FOR INNOVATIVE TECHNOLOGY

BOARD OF DIRECTORS  
As of June 30, 2020

Michael Steed, Chairman  
Bernard Mustafa, Vice Chairman

Emil Avram	Angela Kellett
Brian Ball	Manish Malhotra
Ángel Cabrera	Kristie Helmick Proctor
Stephen Chapin	Atif Qarni
James Cheng	Rob Quartel
Marilyn Crouther	James Ryan
Richard Hall	Timothy Sands
Marty Kaszubowski	

OFFICERS

Ed Albrigo, President and Chief Executive Officer, CIT  
Susan Aitcheson, Treasurer and Secretary, CIT and IEIA