

**MARYLAND TECHNOLOGY  
DEVELOPMENT CORPORATION**  
A Component Unit of the State of Maryland

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
TABLE OF CONTENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF NET POSITION</b>	<b>10</b>
<b>CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES     IN NET POSITION</b>	<b>11</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>12</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>13</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>CONSOLIDATING STATEMENTS OF NET POSITION</b>	<b>28</b>
<b>CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES     IN NET POSITION</b>	<b>30</b>
<b>SCHEDULES OF GOVERNMENTAL ACTIVITIES</b>	<b>32</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Maryland Technology Development Corporation (TEDCO)  
Columbia, Maryland

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Maryland Technology Development Corporation (TEDCO), a component unit of the state of Maryland, as of and for the years ended June 30, 2018 and 2017, and the related notes to the consolidated financial statements, which collectively comprise TEDCO's basic consolidated 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of TEDCO as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows for the years 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 3 through 9 be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated 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 consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated 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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise TEDCO's basic consolidated financial statements. The consolidating schedules of net position, consolidating statements of revenues, expenses, and changes in net position, and the schedules of governmental activities (collectively, the supplementary information) are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018, on our consideration of TEDCO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of TEDCO's 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 TEDCO's internal control over financial reporting and compliance



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 21, 2018

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

**Brief Discussion of the Basic Financial Statements**

Maryland Technology Development Corporation (TEDCO) is a body corporate and politic and is constituted as a public instrumentality of the State of Maryland. TEDCO's mission upon creation was to capitalize on the vast underutilized technology assets in the State's research universities through commercialization. TEDCO's mission has since been expanded to include business incubation, entrepreneurship and community building. TEDCO's program activity includes grants and investments focused on technology commercialization, financial support for incubators, and educational and coaching activities for entrepreneurs. TEDCO also administers the Maryland Stem Cell Research Fund, which promotes State-funded stem cell research through grants to public and private entities in the State, along with administering the Maryland Innovation Initiative which is focused on supporting technology proof of concept and commercialization projects for known market needs.

Fiscal Year 2018 was another productive period for TEDCO. Interest in our programs and services remained high as evidenced by an increased demand for staff mentoring/counseling and strong attendance at our events, including more than 780 attendees at the annual Entrepreneur Expo. Some specific program statistics follow:

- Technology Commercialization Fund (TCF)
  - 13 companies funded, \$1,999,800 deployed
- Life Science Investment Fund (LSIF)
  - 3 projects funded, \$700,000 deployed
- Cyber Security Investment Fund (CIF)
  - 6 projects funded, \$900,000 deployed
- Maryland Stem Cell Research Fund (MSCRF)
  - 105 applications, 29 projects funded, \$8,200,718 deployed
- Maryland Innovation Initiative (MII)
  - 86 applications, 45 projects funded, \$5,568,499 deployed
- Minority Business Pre-Seed Fund (MBPSF)
  - 425 applications, 9 projects funded, \$180,000 deployed

TEDCO continues to be one of the most active players in the innovation and entrepreneurship community in the State. Examples of this activity include active board roles on more than 30 incubator, tech council and industry groups; being a lead sponsor of two of the region's largest community events – the Incubator Company of the Year Awards and the Entrepreneur Expo – and sponsoring and participating in numerous smaller events throughout the State; and, being the only Statewide organization with a program dedicated to helping grow technology innovations in the State's rural communities.

A key ingredient to TEDCO's success is its partnerships. These partnerships take many forms. Examples include those with tech transfer offices in university and federal labs focused on commercialization efforts, partnering with other community members on programs and grant applications, state and local economic development agencies on community building, and state and federal legislators through testimonial support of policy and program initiatives.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018 AND 2017**

**Brief Discussion of the Basic Financial Statements (Continued)**

This annual report consists of the consolidated statements of net position, the consolidated statements of revenues, expenses, and changes in net position, the consolidated statements of cash flows, and notes to the consolidated financial statements, which provide information about the activities of TEDCO.

The discussion and analysis that follows presents a general overview of the financial performance and activities of TEDCO from July 1, 2017 through June 30, 2018. As required supplementary information, the analysis should be used in conjunction with the consolidated financial statements and related notes to assess the overall financial condition and reported results of operations of TEDCO.

**Comparative Financial Statements**

Condensed statements of net position:

	2018	2017	2016	2018 / 2017 Change	2017 / 2016 Change
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	\$ 27,968,092	\$ 19,099,563	\$ 28,648,782	\$ 8,868,529	\$ (9,549,219)
Investments	6,104,607	6,179,235	236,495	(74,628)	5,942,740
Accounts Receivable	579,676	14,888,129	9,807,883	(14,308,453)	5,080,246
Grants Receivable	25,000	105,000	105,000	(80,000)	-
Current Portion of Notes Receivable	679,461	509,451	450,414	170,010	59,037
Current Portion of Working Capital Loan Fund	-	-	9,513	-	(9,513)
Due to Maryland Innovation Opportunity Fund I, LLC	999,999	-	-	999,999	-
Prepaid Expenses and Other Current Assets	113,864	72,501	130,521	41,363	(58,020)
Total Current Assets	<u>36,470,699</u>	<u>40,853,879</u>	<u>39,388,608</u>	<u>(4,383,180)</u>	<u>1,465,271</u>
<b>NONCURRENT ASSETS</b>					
Restricted Cash	13,596,809	20,461,589	27,780,392	(6,864,780)	(7,318,803)
Investments	74,662,221	63,109,698	49,908,151	11,552,523	13,201,547
Grants Receivable	925,000	1,070,000	1,135,000	(145,000)	(65,000)
Notes Receivable	11,837,990	7,584,269	5,910,249	4,253,721	1,674,020
Deposits	77,015	47,109	73,449	29,906	(26,340)
Capital Assets	49,847	123,098	193,114	(73,251)	(70,016)
Total Noncurrent Assets	<u>101,148,882</u>	<u>92,395,763</u>	<u>85,000,355</u>	<u>8,753,119</u>	<u>7,395,408</u>
Total Assets	<u>\$ 137,619,581</u>	<u>\$ 133,249,642</u>	<u>\$ 124,388,963</u>	<u>\$ 4,369,939</u>	<u>\$ 8,860,679</u>
<b>LIABILITIES</b>					
Current Liabilities	\$ 22,648,573	\$ 29,006,967	\$ 22,179,532	\$ (6,358,394)	\$ 6,827,435
Other Liabilities	298,315	304,407	298,229	(6,092)	6,178
Total Liabilities	<u>22,946,888</u>	<u>29,311,374</u>	<u>22,477,761</u>	<u>(6,364,486)</u>	<u>6,833,613</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	49,847	123,098	193,114	(73,251)	(70,016)
Restricted	-	-	9,513	-	(9,513)
Unrestricted	114,622,846	103,815,170	101,708,575	10,807,676	2,106,595
Total Net Position	<u>114,672,693</u>	<u>103,938,268</u>	<u>101,911,202</u>	<u>10,734,425</u>	<u>2,027,066</u>
Total Liabilities and Net Position	<u>\$ 137,619,581</u>	<u>\$ 133,249,642</u>	<u>\$ 124,388,963</u>	<u>\$ 4,369,939</u>	<u>\$ 8,860,679</u>

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

**Comparative Financial Statements (Continued)**

The largest portions of TEDCO's total assets as of June 30, 2018 are investments of \$80,766,828, cash and cash equivalents of \$27,968,092 and restricted cash of \$13,596,809.

The largest portions of TEDCO's total assets as of June 30, 2017 are investments of \$69,288,933, restricted cash of \$20,461,589, cash and cash equivalents of \$19,099,563, and accounts receivable of \$14,888,129.

The largest portion of TEDCO's total liabilities as of June 30, 2018 are stem cell and other grants payable of \$15,125,265.

The largest portion of TEDCO's total liabilities as of June 30, 2017 are stem cell and other grants payable of \$16,218,636.

Condensed statements of revenues, expenses, and changes in net position:

	2018	2017	2016	2018 / 2017 Change	2017 / 2016 Change
<b>Operating Revenues – Grants and Other</b>	\$ 27,948,837	\$ 31,046,704	\$ 22,583,060	\$ (3,097,867)	\$ 8,463,644
<b>Operating Expenses</b>					
Stem Cell Program	12,317,026	14,557,703	9,425,714	(2,240,677)	5,131,989
Tech Transfer	6,635,419	12,519,985	10,132,867	(5,884,566)	2,387,118
Business Incubation	1,522,523	1,686,791	1,658,477	(164,268)	28,314
Maryland Venture Fund	1,609,214	1,573,509	1,345,005	35,705	228,504
Angel Fund Investments	-	-	71,356	-	(71,356)
General Administration	1,677,819	581,587	676,401	1,096,232	(94,814)
Total Operating Expenses	23,762,001	30,919,575	23,309,820	(7,157,574)	7,609,755
Net Operating Income (Loss)	4,186,836	127,129	(726,760)	4,059,707	853,889
Investment Earnings	7,259,595	2,323,054	1,085,324	4,936,541	1,237,730
Transfer to State of Maryland General Fund	(712,006)	(423,117)	(686,498)	(288,889)	263,381
Special Item - Transfer of Operations	-	-	94,110,764	-	(94,110,764)
Increase in Net Position	10,734,425	2,027,066	93,782,830	8,707,359	(91,755,764)
Total Revenues	\$ 35,208,432	\$ 33,369,758	\$ 23,668,384	\$ 1,838,674	\$ 9,701,374

**Analysis of Overall Financial Position and Results of Operations**

TEDCO's revenues are derived primarily from Federal and State operating grants, the Maryland Stem Cell Research Fund (MSCRF), the Maryland Innovation Initiative (MII), sponsorships and royalties, and investment earnings. TEDCO's revenues increased approximately 6% from \$33,369,758 as of June 30, 2017 to \$35,208,432 as of June 30, 2018. This increase was primarily due to an increase in investment earnings, offset by a decrease in grant revenue due to the Stem Cell program calling all remaining capital from the State for fiscal year 2017 from prior years.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

**Analysis of Overall Financial Position and Results of Operations (Continued)**

TEDCO's revenues increased approximately 41% from \$23,668,384 as of June 30, 2016 to \$33,369,758 as of June 30, 2017. This increase was primarily due to the Stem Cell program calling all remaining capital from the State for multi-year awards, the MII program increasing amounts of their awards, along with an increase in federal grants received.

TEDCO's Programs & Operations revenue (not including stem cell and MII) from the State of Maryland increased approximately 45% from \$4,673,192 as of June 30, 2017 to \$6,773,191 as of June 30, 2018. This increase is primarily due to new revenue from the State of Maryland for the GAP Funding program and revenue from the Life Science Investment Fund held from a prior year.

TEDCO's Programs & Operations revenue (not including stem cell and MII) from the State of Maryland decreased approximately 26% from \$6,315,529 as of June 30, 2016 to \$4,673,192 as of June 30, 2017. This decrease is primarily due to the one-time allocation to the new Dorchester County Incubator in FY16.

TEDCO's current assets decreased 11% from \$40,853,879 as of June 30, 2017 to \$36,470,699 as of June 30, 2018. This decrease is due to a reduction in accounts receivable of \$14M offset by an increase in cash of almost \$8.9M.

TEDCO's current assets increased approximately 4% from \$39,388,608 as of June 30, 2016 to \$40,853,879 as of June 30, 2017.

TEDCO's noncurrent assets increased approximately 9% from \$92,395,763 as of June 30, 2017 to \$101,148,882 as of June 30, 2018. This increase was primarily due to an increase in the value of TEDCO investments.

TEDCO's noncurrent assets increased approximately 9% from \$85,000,355 as of June 30, 2016 to \$92,395,763 as of June 30, 2017. This increase was due to an increase in the value of TEDCO investments.

TEDCO's current liabilities decreased 22% from \$29,006,967 as of June 30, 2017 to \$22,648,573 as of June 30, 2018. This decrease is due to the release of unearned grant revenue that had been held by the MVF program for SSBCI funds received in fiscal year 2017, to be invested in future years.

TEDCO's current liabilities increased 31% from \$22,179,532 as of June 30, 2016 to \$29,006,967 as of June 30, 2017. This increase is due to an increase in the unearned grant revenue being held by the MVF program for SSBCI funds received in fiscal year 2017, to be invested in future years.

Operating expenses decreased approximately 23% from \$30,919,575 as of June 30, 2017 to \$23,762,001 as of June 30, 2018. This decrease is attributable to reduced funds available for the Stem Cell and TCF awards, along with a prior period correction that moved LSIF grants to convertible notes and equity investments.

Operating expenses increased approximately 33% from \$23,309,820 as of June 30, 2016 to \$30,919,575 as of June 30, 2017. This increase is attributable to the accelerated deployment of the Stem Cell awards, the MII program increasing the amounts of their awards, and fiscal year 2016 MII awards closing in fiscal year 2017.



**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

**Analysis of Overall Financial Position and Results of Operations (Continued)**

Net position increased approximately 10% from \$103,938,268 as of June 30, 2017 to \$114,672,693 as of June 30, 2018. This increase was largely due to an increase in the value of TEDCO's non-current investments.

Net position increased approximately 2% from \$101,911,202 as of June 30, 2016 to \$103,938,268 as of June 30, 2017.

**Description of Capital Asset and Long-Term Debt Activity**

During fiscal year 2018, TEDCO did not purchase any major capital assets. Computer equipment was upgraded at a cost of \$9,786. Depreciation and amortization expense was \$83,037 for the year ended June 30, 2018.

During fiscal year 2017, TEDCO did not purchase any major capital assets. Telephone equipment was upgraded at a cost of \$7,547 and presentation equipment was purchased at a cost of \$3,403. Depreciation and amortization expense was \$83,001 for the year ended June 30, 2017.

TEDCO does not have any long-term debt.

**Discussion of Currently Known Facts, Decisions, or Conditions**

*Fiscal Year 2019 State-Funded Operating Budget*

The total State appropriation to TEDCO for fiscal year 2019 is \$19,474,480, which is unchanged from fiscal year 2018. The breakdown of funds is:

- Operating Programs-\$2,773,192
- Stem Cell Research Fund-\$8,200,000
- Maryland Innovation Initiative-\$4,800,000
- Rural Business Innovation Initiative-\$500,000
- Maryland Industrial Partnerships-\$300,000
- Cybersecurity Investment Fund-\$900,000
- Life Science Investment Fund-\$1,001,288
- Gap Investment Fund-\$1,000,000

The purpose of the Maryland Stem Cell Research Fund is to promote State-funded stem cell research and cures through grants to public and private entities in the State. The Fund is a special, non-lapsing fund that is not subject to the State Finance and Procurement Article. The Maryland Stem Cell Commission (the Commission), established by the Maryland General Assembly, has established an independent scientific peer review committee composed of nationally-recognized scientific experts in the field of stem cell research. The Committee reviews, ranks, and rates research proposals for State-funded stem cell research based on procedures and guidelines established by the Commission, and in a manner that gives due consideration to the scientific, medical, and ethical implications of the research. The Committee will then make recommendations to the Commission, based on the ranking and ratings awarded to each research proposal according to its scientific merit.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

**Discussion of Currently Known Facts, Decisions, or Conditions**

*Fiscal Year 2019 State Operating Budget (Continued)*

The Maryland Innovation Initiative (MII) was established in 2012 to accelerate the rate of commercializing university-developed technologies in Maryland. The MII will partner with the University of Maryland-College Park, the University of Maryland-Baltimore, the University of Maryland-Baltimore County, Morgan State University and Johns Hopkins University. In addition to the \$4,800,000, each of the five Universities contribute into this program for an additional \$800,000.

The Cybersecurity Investment Fund will support Maryland companies to develop and commercialize new cybersecurity products.

The Rural Business Innovation Initiative assists start-up and small technology-based businesses in the rural areas of Maryland to advance the company to a higher level of success. The program offers professional ongoing mentoring and targeted projects to help companies succeed at no cost to the company.

The Life Science Investment Fund assists Maryland companies developing products addressing human health that require approval from the U.S. Food and Drug Administration (FDA) for commercialization.

The Gap Investment Fund will address the critical gap in capital that exists between seed and venture investments, which often comes when companies are most vulnerable to leaving Maryland for investments from other states. The Gap Investment Fund will help retain these Maryland companies, many of which have already taken advantage of Maryland's various seed and pre-seed funding resources.

In fiscal year 2018, TEDCO began administering \$25,000,000 from the Maryland State Pension and Retirement agency for the Maryland Opportunities Innovation Fund I. This Fund made \$4,564,215 in venture investments in start-up companies in Maryland in fiscal year 2018, and will continue investing in 2019.

*Fiscal Year 2019 Non-State-Funded Operating Budget*

In addition to the State funds received above, TEDCO, through its Reserve Fund, appropriates funding to important initiatives that are not funded by the State. Key programs are:

- Builder Fund-\$700,000
- Advisory Services-\$500,000

The Builder Fund evolved from the Minority Business Pre-Seed Fund that was created in FY2017. The Builder Fund was created to financially and operationally support the development of start-up companies run by entrepreneurs who demonstrate a socially or economically disadvantaged background that hinders access to traditional forms of capital and executive networks at the pre-seed stage. Companies selected for a Builder Fund investment will also receive executive support to better position the company to receive follow-on, professional investment in 12 – 18 months. The Builder Fund differentiates itself by identifying exceptional investment opportunities in markets that are often overlooked by traditional funding organizations, by advancing the development of those opportunities, and by making valuable introductions that can lead to the next stage of investment.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018 AND 2017**

**Discussion of Currently Known Facts, Decisions, or Conditions (Continued)**

*Fiscal Year 2019 State Operating Budget (Continued)*

Growing great companies takes more than money and Maryland's entrepreneurs repeatedly express the need for assistance in certain very specific areas. To help meet that need TEDCO has partnered with a series of consultants that have current, relevant experience in one or more of these specific areas. This curated set of Network Advisors brings its broad and diversified depth of experience to bear on the unique needs of Maryland's start-up companies – the entire effort is dedicated to helping the State's technology-based entrepreneurs reach their full potential.

**Contacting TEDCO**

Interested parties can contact TEDCO at 7021 Columbia Gateway Drive, Suite 200, Columbia, Maryland, 21046.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**CONSOLIDATED STATEMENTS OF NET POSITION**  
**JUNE 30, 2018 AND 2017**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 27,968,092	\$ 19,099,563
Investments	6,104,607	6,179,235
Accounts Receivable	579,676	14,888,129
Grants Receivable	25,000	105,000
Current Portion of Notes Receivable (Net of Allowance of \$1,457,243 for 2018 and \$916,875 for 2017)	679,461	509,451
Due from Maryland Innovation Opportunity Fund I, LLC	999,999	-
Prepaid Expenses and Other Current Assets	113,864	72,501
Total Current Assets	36,470,699	40,853,879
<b>NONCURRENT ASSETS</b>		
Restricted Cash	13,596,809	20,461,589
Investments	74,662,221	63,109,698
Grants Receivable – Noncurrent (Net of Allowance of \$0 for 2018 and \$200,000 for 2017)	925,000	1,070,000
Notes Receivable – Noncurrent (Net of Allowance of \$9,540,296 for 2018 and \$8,801,220 for 2017)	11,837,990	7,584,269
Deposits	77,015	47,109
Capital Assets (Net of Accumulated Depreciation and Amortization of \$215,385 for 2018 and \$329,427 for 2017)	49,847	123,098
Total Noncurrent Assets	101,148,882	92,395,763
Total Assets	<u>\$ 137,619,581</u>	<u>\$ 133,249,642</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 1,380,016	\$ 1,449,533
Stem Cell Grants Payable	12,534,030	13,657,583
Other Grants Payable	2,591,235	2,561,053
Due to State of Maryland	712,006	423,118
Unearned Grant Revenue	5,431,286	10,915,680
Total Current Liabilities	22,648,573	29,006,967
<b>OTHER LIABILITIES</b>		
Deferred Rent	298,315	304,407
Total Liabilities	22,946,888	29,311,374
<b>NET POSITION</b>		
Net Investment in Capital Assets	49,847	123,098
Unrestricted	114,622,846	103,815,170
Total Net Position	114,672,693	103,938,268
Total Liabilities and Net Position	<u>\$ 137,619,581</u>	<u>\$ 133,249,642</u>

See accompanying Notes to Financial Statements.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>OPERATING REVENUES</b>		
State of Maryland Grants:		
Maryland Stem Cell Research	\$ 8,200,000	\$ 14,378,582
Maryland Innovation Initiative	6,691,054	7,529,803
TEDCO Operations	6,773,191	4,673,192
Total State of Maryland Grants	21,664,245	26,581,577
Federal Grants	4,283,651	2,523,454
Sponsorships	67,132	46,184
Royalties	469,353	477,084
Other Revenues	1,464,456	1,418,405
Total Operating Revenues	27,948,837	31,046,704
<b>OPERATING EXPENSES</b>		
Stem Cell Program	12,317,026	14,557,703
Tech Transfer	6,635,419	12,519,985
Business Incubation	1,522,523	1,686,791
Maryland Venture Fund	1,609,214	1,573,509
General Administration	1,677,819	581,587
Total Operating Expenses	23,762,001	30,919,575
<b>NET OPERATING INCOME</b>	4,186,836	127,129
<b>NONOPERATING REVENUES</b>		
Investment Earnings	7,259,595	2,323,054
Transfer to State of Maryland General Fund	(712,006)	(423,117)
<b>INCREASE IN NET POSITION</b>	10,734,425	2,027,066
Net Position – Beginning of Year	103,938,268	101,911,202
<b>NET POSITION – END OF YEAR</b>	\$ 114,672,693	\$ 103,938,268

See accompanying Notes to Financial Statements.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Operations	\$ 36,774,778	\$ 31,359,051
Cash Paid for Operations	<u>(25,624,955)</u>	<u>(26,813,375)</u>
Net Cash Provided by Operating Activities	11,149,823	4,545,676
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	5,724,919	1,610,972
Purchases of Investments	(14,998,399)	(20,948,960)
Change in Restricted Cash	6,864,780	7,318,803
Working Capital Loan Principal Payments Received	-	9,513
Payments on Notes Receivable	1,855,670	821,284
Advances of Notes Receivable	(9,473,656)	(5,811,399)
Interest on Investments and Notes Receivable	7,755,178	2,917,877
Purchases of Property and Equipment	<u>(9,786)</u>	<u>(12,985)</u>
Net Cash Used by Investing Activities	<u>(2,281,294)</u>	<u>(14,094,895)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,868,529	(9,549,219)
Net Cash and Cash Equivalents – Beginning of Year	<u>19,099,563</u>	<u>28,648,782</u>
<b>NET CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 27,968,092</u>	<u>\$ 19,099,563</u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Operating Income	\$ 4,186,836	\$ 127,129
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	83,037	83,001
Provision for Bad Debt	1,079,444	2,625,651
Interest Earned on Notes Receivable	(785,187)	190,285
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	14,308,453	(5,080,246)
Grants Receivable	425,000	105,000
Due from Maryland Innovation Opportunity Fund I, LLC	(999,999)	-
Prepaid Expenses and Other Current Assets	(41,363)	58,020
Deposits	(29,906)	26,340
Accounts Payable and Accrued Expenses	(69,517)	659,421
Stem Cell Grants Payable	(1,123,553)	971,943
Grants Payable	30,182	(514,639)
Unearned Grant Revenue	(5,484,394)	5,974,090
Due to State of Maryland	(423,118)	(686,497)
Deferred Rent	<u>(6,092)</u>	<u>6,178</u>
Net Cash Provided by Operating Activities	<u>\$ 11,149,823</u>	<u>\$ 4,545,676</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Convertible Notes Receivable Converted to Equity Securities	\$ 2,700,000	\$ 401,122
Increase (Decrease) in Fair Value of Investments	(495,583)	(594,823)
Transfer to State of Maryland General Fund Payable	712,006	423,117

See accompanying Notes to Financial Statements.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

Maryland Technology Development Corporation (TEDCO) was established as a body corporate and politic and a public instrumentality of the state of Maryland (the State). TEDCO's board of directors consists of 15 individuals, the Secretary of the Maryland Department of Commerce and 14 members appointed by the Governor with the advice and consent of the State Senate. TEDCO works to:

- Assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by colleges, universities and federal labs.
- Assist in the commercialization of technology developed in the private sector. Foster commercialization of the research and development described above to create and sustain businesses throughout all regions of the State.
- Administer the Maryland Technology Incubator Program by promoting entrepreneurship and the creation of jobs in technology-related industry by establishing and operating effective incubators throughout the State that provide adequate physical space designed, and programs intended, to increase or accelerate business success in the field of technology.
- Administer the Maryland Stem Cell Research Fund. The purpose of the Fund is to promote state-funded stem cell research and cures through grants to public and private entities in the State. The Fund is a special, nonlapsing fund that is not subject to the State Finance and Procurement Article.
- Administer the Maryland Venture Fund, to make direct investments in early-stage technology and life science companies and indirect investments in venture capital funds.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Maryland Technology Development Corporation and the Maryland Venture Fund. All material intercompany accounts and transactions have been eliminated in consolidation.

**Basis of Accounting**

All of TEDCO's activities are reported as an enterprise fund as defined by Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. Financial reporting for enterprise funds conforms to accounting principles generally applicable to the transactions of similar commercial enterprises and utilizes the full accrual method of accounting.

TEDCO prepares its financial statements using the "economic resources" measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The statement of net position presents all of the TEDCO's assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as "net position." The statement combines and

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

consolidates all of the TEDCO's current financial resources with capital assets (net of accumulated depreciation) and liabilities. The end result is categorized as unrestricted net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All of TEDCO is required to follow all statements of the GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature. Other pronouncements of FASB are not applied in the preparation of the accompanying financial statements.

**Use of Estimates**

The 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in bank accounts, overnight investment accounts, money market funds invested in federal government obligations, and cash and short-term investments on deposit with the State Treasurer. TEDCO considers all short-term securities with maturities of three months or less at the date of purchase to be cash equivalents. Certain grants require that TEDCO hold the grant monies in separate bank accounts.

The Annotated Code of Maryland requires TEDCO to maintain its cash balances on deposit with the State Treasurer, except for cash and cash equivalent accounts established to satisfy urgent cash requirements or proceeds of TEDCO financing arrangements. The State Treasurer maintains State funds on a pooled basis in accordance with the Annotated Code of Maryland.

**Restricted Cash**

Restricted cash represents amounts on deposit with the State Treasurer of \$12,258,620 and \$19,188,209 and with commercial banks of \$1,338,189 and \$1,273,380 as of June 30, 2018 and 2017, respectively. These amounts are designated to fulfill funding commitments of certain investments.



**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable represent amounts appropriated from the state of Maryland. Accounts receivable are reported at their outstanding balances. Based on past experience with accounts receivable from the state of Maryland, TEDCO's management believes that no allowance for doubtful accounts is necessary.

**Grants Receivable**

Grants receivable consist of amounts due from granting agencies resulting from allowable expenditures incurred that have not been recovered as of the end of the fiscal year. Grants receivable are reported at their outstanding balances, reduced by an allowance for uncollectible amounts, if any.

Management periodically evaluates the adequacy of the allowance for uncollectible amounts by considering TEDCO's past grants receivable loss experience, known and inherent risks in the grants receivable population, adverse situations that may affect a grantor's ability to pay, and current economic conditions.

The allowance for uncollectible amounts is increased by charges to bad debt expense and decreased by charge offs of the grants receivable balances. Grants receivable are considered past due when no payments have been received by their contractual due dates, varying with different grantors. Grants receivable are charged off based on management's case-by-case determination that they are uncollectible. As of June 30, 2018 and 2017, TEDCO determined the allowance for doubtful accounts to be \$0 and \$200,000, respectively.

**Notes Receivable**

TEDCO provides funding to various borrowers from its Maryland Technology Commercialization Fund, CyberSecurity Investment Fund, and Maryland Venture Fund. The funds are used by the borrowers to develop and commercialize new technology services and products. In order to reimburse TEDCO for its initial investment, the arrangement allows each of these borrowers, with TEDCO's concurrence, to exercise the option of exchanging the amounts owed to TEDCO for an equitable share in the respective company's equity.

TEDCO reports these notes receivable at their outstanding balances reduced by an allowance for doubtful accounts. Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering TEDCO's past notes receivable loss experience, known and inherent risks in the notes receivable population, adverse situations that may affect a borrower's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by charge offs of the notes receivable balances. Notes receivable are considered past due when no payments have been received by their contractual due dates, varying with different borrowers. Notes receivable are charged off based on management's case-by-case determination that they are uncollectible. As of June 30, 2018 and 2017, TEDCO determined the allowance for doubtful accounts to be \$10,997,539 and \$9,718,095, respectively.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments consist of certificates of deposit and certain equity securities.

TEDCO, through the Maryland Technology Commercialization Fund program, has made certain equity investments in companies to assist them in collaborating with Maryland colleges and universities or federal laboratories located in Maryland to develop and commercialize new services and products. Also, TEDCO, through the Maryland Venture Fund, makes venture capital investments into early-stage technology and life science companies where there is a significant risk of private capital being deployed. These businesses do not have a proven history of profitability. As such, the future financial condition and operating results of the businesses are uncertain, and the market value of the Fund's investments could be significantly affected.

TEDCO has a program for providing seed capital to start-up technology companies. With the board of directors' approval, the investments can be converted into equity investments. As privately-held securities, there are certain risks that cannot be mitigated.

**Deposits**

Deposits consist of amounts that TEDCO has paid in conjunction with certain leases.

**Capital Assets**

Capital assets are recorded at cost. Depreciation and amortization are calculated on the straight-line basis over the estimated useful lives of the respective assets ranging between 3 and 10 years. All purchases of individual capital assets over \$2,500 with a useful life greater than one year are capitalized. Computer software purchases are recorded as capital assets and depreciated based on the useful life of the asset. TEDCO does not have any internally developed software.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of capital assets are retired, the related cost and accumulated depreciation and amortization are removed from the accounts, and any gain or loss is included in the statement of revenues, expenses, and changes in net position.

**Unearned Grant Revenue**

Unearned grant revenue results from unexpended federal and nonfederal grant advances. TEDCO recognizes grant revenue when related expenses are incurred. Certain unexpended federal and nonfederal grant advances are considered restricted until recognized as grant revenue. As of June 30, 2018 and 2017, unearned grant revenue was \$5,431,286 and \$10,915,680, respectively.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Straight-line Rent**

A straight-line rent liability has been recorded to reflect the benefit of lease incentives included in the office space lease. The benefits of these incentives, including free rent and annual rent increases, will be recognized equally over the term of the lease.

**Revenue Recognition**

Revenues are recognized when earned. The state of Maryland has granted TEDCO an operating grant of \$6,774,480 and \$4,674,480 for the years ended June 30, 2018 and 2017, respectively.

Grant funds received from the state for business incubation facility development are considered unearned until TEDCO commits these funds and the funds are payable. Other grants are recorded on the cost-reimbursement method where revenue is recognized when the expenses have been incurred by TEDCO.

Stem cell funding is recorded as revenue when TEDCO commits these funds and the funds are payable. During each of the years ended June 30, 2018 and 2017, the state of Maryland granted TEDCO \$8,200,000 and \$9,093,000, respectively, for Maryland Stem Cell Research. These funds are committed for the next three years and will be recognized as revenue as they are earned. Stem cell funding recognized as revenue for the years ended June 30, 2018 and 2017 totaled \$8,200,000 and \$14,378,582, respectively.

Other revenues on the statement of revenues, expenses and changes in net position for the year ended June 30, 2018 is comprised of approximately \$157,000 of contributions from various universities participating in the MII program; approximately \$70,000 in revenue from distributions from the sale of companies that TEDCO was previously invested in; approximately \$1,045,000 of prior year awards that were rescinded for various reasons and able to be used for future awards; and approximately \$192,000 for various income items relating to event income and various repayments.

Other revenues on the statement of revenues, expenses and changes in net position for the year ended June 30, 2017 is comprised of approximately \$223,000 of contributions from various universities participating in the MII program; approximately \$950,000 of prior year awards that were rescinded for various reasons and able to be used for future awards; approximately \$137,000 in revenue from a previously written off note receivable investment; and approximately \$108,000 for various income items relating to event income and various repayments.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of revenues, expenses, and changes in net position. Expenses that can be directly identified with a particular function are assigned to that function. Expenses that can be allocated among the various functions using a reasonable allocation method are allocated among the functions benefited.

TEDCO distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with TEDCO's operating charter. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Significant Concentration**

TEDCO receives a substantial portion of its grant revenue from the state of Maryland. If the state of Maryland were to discontinue funding to TEDCO, and if alternative funding sources could not be obtained, operations could cease or be significantly curtailed.

**Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and are evaluated at least annually. Recoverability of the long-lived asset is measured by comparing the carrying amount of the asset to future estimated undiscounted net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying value amount or fair value, less costs to sell. Management of TEDCO believes the value of long-lived assets exceeds their carrying value as of June 30, 2018.

**Reclassifications**

Certain amounts in the 2017 financial statements have been reclassified to conform with the 2018 presentation. The reclassifications did not affect total net position or changes therein.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash and cash equivalents consisted of the following as of June 30:

	2018	2017
Deposits with Financial Institutions	\$ 27,968,092	\$ 18,848,248
Money Market Funds	-	251,315
Total	\$ 27,968,092	\$ 19,099,563

Investments consisted of the following as of June 30:

	2018	Percent	2017	Percent
U.S. Government Securities	\$ 5,633,169	7%	\$ 5,703,199	8%
Agency Securities	471,438	1%	476,036	1%
Equity Securities	74,662,221	92%	63,109,698	91%
Total	\$ 80,766,828	100%	\$ 69,288,933	100%

TEDCO holds equity securities of companies in connection with its Maryland Technology Incubator Program and Maryland Venture Fund described in Note 1. These investments are a part of the service TEDCO provides to these companies to promote entrepreneurship and the creation of jobs.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, TEDCO's deposits in financial institutions may not be returned. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent, but not in TEDCO's name.

At June 30, 2018, TEDCO's bank balances were \$29,622,846. Of the bank balances, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$29,372,846 was covered by collateral held in the pledging bank's trust department in TEDCO's name.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of TEDCO's investment in a single issuer. Investments guaranteed by the U.S. government are excluded from this determination.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 2 CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates.

At June 30, 2018 and 2017, the maturities of the securities with stated maturities were limited according to the following segmented time distribution:

Investment Type	2018			
	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 5	6 - 10
U.S. Government Securities	\$ 5,633,169	\$ 1,063,968	\$ 3,142,169	\$ 1,427,032
Agency Securities	471,438	-	471,438	-
Total	<u>\$ 6,104,607</u>	<u>\$ 1,063,968</u>	<u>\$ 3,613,607</u>	<u>\$ 1,427,032</u>

  

Investment Type	2017			
	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 5	6 - 10
U.S. Government Securities	\$ 5,703,199	\$ 309,491	\$ 3,311,041	\$ 2,082,667
Agency Securities	476,036	149,930	326,106	-
Total	<u>\$ 6,179,235</u>	<u>\$ 459,421</u>	<u>\$ 3,637,147</u>	<u>\$ 2,082,667</u>

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates could adversely affect the fair value of the investment. TEDCO does not invest in foreign currency denominated investments and is not exposed to foreign currency risk.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to TEDCO.

Certificates of deposit are held at various financial institutions covered within the FDIC insurance limits at those financial institutions.

Credit risk with respect to the investments in equity securities is deemed insignificant to the overall operations of TEDCO, although management does perform due diligence on the companies seeking venture capital.

At June 30, 2018 and 2017, TEDCO's agency securities are rated as Aaa under Moody's and AA+ under S&P. All other investments held are unrated.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 3 FAIR VALUE MEASUREMENTS**

TEDCO categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

*Level 1:* Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

*Level 2:* Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3:* Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

TEDCO has the following recurring fair value measurements as of June 30:

	2018			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	\$ 5,633,169	\$ 5,633,169	\$ -	\$ -
Agency Securities	471,438	471,438	-	-
Equity Investments in Privately-Held Companies and Venture Capital Partnership:				
Publicly Traded	-	-	-	-
Not Publicly Traded	74,662,221	-	-	74,662,221
Total Investments by Fair Value Level	<u>\$ 80,766,828</u>	<u>\$ 6,104,607</u>	<u>\$ -</u>	<u>\$ 74,662,221</u>
	2017			
	Total	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
U.S. Government Securities	\$ 5,703,199	\$ 5,703,199	\$ -	\$ -
Agency Securities	476,036	476,036	-	-
Equity Investments in Privately-Held Companies and Venture Capital Partnership:				
Publicly Traded	1,005,646	1,005,646	-	-
Not Publicly Traded	62,104,052	-	-	62,104,052
Total Investments by Fair Value Level	<u>\$ 69,288,933</u>	<u>\$ 7,184,881</u>	<u>\$ -</u>	<u>\$ 62,104,052</u>

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

Investments of TEDCO are included in the statements of net position at fair value as determined by management. Certificates of deposit, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets for those securities. Fair values of investments in publicly traded companies, classified in Level 1 of the fair value hierarchy, are determined by quoted market price for publicly traded companies at the last reported sale price. Fair values of investments in not publicly traded, privately-held companies and venture capital partnerships, classified in Level 3 of the fair value hierarchy, are determined by management after consideration of, among other factors, the financial condition, operating results, significant recent events, and other security offerings of the investors.

**Level 3 Gains and Losses**

The table below sets forth a summary of changes in the fair value of TEDCO's Level 3 assets for the years ended June 30:

	Not Publicly Traded Equity Investments	
	2018	2017
Balance, Beginning of Year	\$ 62,104,052	\$ 49,784,545
Transfer/Conversion	2,250,000	-
Realized Gains (Losses)	5,817,924	(104,133)
Unrealized Losses Relating to Instruments Held at the Reporting Date	(4,806,430)	(1,690,264)
Purchases, Sales, Issuances and Settlements, Net	9,296,675	14,113,904
Balance, End of Year	\$ 74,662,221	\$ 62,104,052

**NOTE 4 NOTES RECEIVABLE**

In October 2011, TEDCO obtained a note receivable due from AudioEye, Inc. This is a noninterest-bearing note with an original balance of \$149,800, and calls for monthly principal payments of \$2,000 through January 2018. At June 30, 2018 the note was fully paid off. At June 30, 2017, the principal balance was \$11,800.

In August 2015, TEDCO obtained a note receivable due from Neos Technologies, LLC. This is a noninterest-bearing note with an original balance of \$50,234, and calls for monthly principal payments of \$500 through January 2024. At June 30, 2018 and 2017, the principal balance was \$33,234 and \$39,234, respectively.



**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 4 NOTES RECEIVABLE (CONTINUED)**

During the year ended June 30, 2012, TEDCO began obtaining convertible promissory notes in exchange for TEDCO's agreement to invest in various companies. The convertible promissory notes do not have set repayment terms, but accrue interest at a rate of 8% on the unpaid principal balance until the maturity date, 5 years after the date of the note. Upon the occurrence of any deemed conversion event, TEDCO has the sole discretion to accelerate amounts due under the note or to exchange the entire outstanding principal amount, together with accrued interest, for an equity investment in the company. At June 30, 2018 and 2017, the total balance outstanding on these convertible promissory notes was \$19,013,126 and \$12,855,281, which included accrued interest of \$2,057,614 and \$1,254,536, respectively.

As part of the Maryland Venture Fund program transferred to TEDCO effective October 1, 2015, TEDCO obtains convertible promissory notes in exchange for TEDCO's agreement to invest in various early-stage technology and life science companies. The convertible promissory notes have various interest rates and maturity dates. Upon the occurrence of certain events, TEDCO has the right either to accelerate amounts due under the notes or to exchange the entire outstanding principal amount, together with accrued interest, for an equity investment in the company. At June 30, 2018 and 2017, the total balance outstanding on these convertible promissory notes was \$4,468,630 and \$4,905,500, which included accrued interest of \$73,090 and \$127,090, respectively.

A summary of notes receivable as of June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Convertible Promissory Notes Principal Advanced	\$ 21,351,052	\$ 16,379,155
Convertible Promissory Notes Interest Accrued	2,130,704	1,381,626
Allowance for Uncollectible Balances	<u>(10,997,539)</u>	<u>(9,718,095)</u>
Total Convertible Promissory Notes	12,484,217	8,042,686
Other Notes Receivable	<u>33,234</u>	<u>51,034</u>
Total Notes Receivable	<u><u>\$ 12,517,451</u></u>	<u><u>\$ 8,093,720</u></u>
Notes Receivable – Current	\$ 679,461	\$ 509,451
Notes Receivable – Noncurrent	<u>11,837,990</u>	<u>7,584,269</u>
Total	<u><u>\$ 12,517,451</u></u>	<u><u>\$ 8,093,720</u></u>

The increase in the allowance for uncollectible balances on notes receivable of \$1,279,444 comprises the increase in the allowance for uncollectible balances of \$1,207,413 incurred during the year ended June 30, 2018 for TEDCO and the increase in the allowance for uncollectible balances of \$72,031 on notes receivable under the Maryland Venture Fund program.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 5 CAPITAL ASSETS**

Changes in components of capital assets are summarized as follows for the years ended June 30:

	Balance, July 1, 2017	Additions	Deletions	Balance, June 30, 2018
Capital Assets Being Depreciated:				
Computer Equipment	\$ 149,970	\$ 9,786	\$ 112,363	\$ 47,393
Software	52,167	-	52,167	-
Office Furniture	216,846	-	6,704	210,142
Leasehold Improvements	33,542	-	25,845	7,697
Total Assets	<u>452,525</u>	<u>9,786</u>	<u>197,079</u>	<u>265,232</u>
Accumulated Depreciation and Amortization:				
Computer Equipment	130,996	11,996	112,361	30,631
Software	52,169	-	52,169	-
Office Furniture	119,618	70,047	6,704	182,961
Leasehold Improvements	26,644	994	25,845	1,793
Total Accumulated Depreciation and Amortization	<u>329,427</u>	<u>83,037</u>	<u>197,079</u>	<u>215,385</u>
Net Book Value	<u>\$ 123,098</u>	<u>\$ (73,251)</u>	<u>\$ -</u>	<u>\$ 49,847</u>
	Balance, July 1, 2016	Additions	Deletions	Balance, June 30, 2017
Capital Assets Being Depreciated:				
Computer Equipment	\$ 136,985	\$ 12,985	\$ -	\$ 149,970
Software	52,167	-	-	52,167
Office Furniture	216,846	-	-	216,846
Leasehold Improvements	33,542	-	-	33,542
Total Assets	<u>439,540</u>	<u>12,985</u>	<u>-</u>	<u>452,525</u>
Accumulated Depreciation and Amortization:				
Computer Equipment	120,562	10,434	-	130,996
Software	52,169	-	-	52,169
Office Furniture	49,571	70,047	-	119,618
Leasehold Improvements	24,124	2,520	-	26,644
Total Accumulated Depreciation and Amortization	<u>246,426</u>	<u>83,001</u>	<u>-</u>	<u>329,427</u>
Net Book Value	<u>\$ 193,114</u>	<u>\$ (70,016)</u>	<u>\$ -</u>	<u>\$ 123,098</u>

The depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$83,037 and \$83,001, respectively. This amount is included in general administration under operating expenses on the statements of revenues, expenses, and changes in net position.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 6 PROFIT SHARING PLAN**

TEDCO maintains a defined contribution, tax deferred "profit sharing" plan that covers all eligible contract employees. All contract employees who have completed six consecutive months of service with TEDCO and have attained age 21 are eligible for the Plan. Participants are 100% vested at all times. Each plan year, TEDCO may, in its sole discretion, make a contribution to be allocated to the accounts of eligible participants. For the years ended June 30, 2018 and 2017, TEDCO made an 8% contribution of each employee's base compensation. Contract employees do not contribute to this Plan.

Contribution expense for the Plan was \$222,467 and \$164,660 for the years ended June 30, 2018 and 2017, respectively, which is allocated among programs and general administration expenses in the statements of revenues, expenses, and changes in net position.

**NOTE 7 OPERATING LEASE**

TEDCO has a 10-year lease agreement for an office space, which expires on February 28, 2026. This lease had a lease payment holiday until August 2016. Then, it requires annual minimum rental payments of approximately \$316,000 (base rent), increasing to approximately \$395,000 by the year 2025, plus a pro-rata share of common area maintenance and real estate tax charges, as defined in the lease agreement.

TEDCO had another 10-year lease agreement for an office space, which expired on August 31, 2017. This lease required minimum annual rentals of approximately \$157,000 (base rent), increasing to approximately \$163,000 by the year 2017, plus a pro-rata share of common area maintenance and real estate tax charges, as defined in the lease agreement. This space was being subleased to a third party.

Future minimum lease payments for these operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 331,468
2020	339,730
2021	348,218
2022	356,942
2023	365,902
Thereafter	1,022,163
Total	<u>\$ 2,764,423</u>

Total lease expense was approximately \$347,000 and \$365,000 for the years ended June 30, 2018 and 2017, respectively.

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2018 AND 2017**

**NOTE 8 INCOME TAXES**

TEDCO was created by the Maryland General Assembly and is exempt from state and federal income taxes. Accordingly, no tax provision has been included in the accompanying financial statements.

**NOTE 9 RELATED PARTIES**

On November 9, 2017, TEDCO formed a Limited Liability Company, Maryland Innovation Opportunity Fund I, LLC (MIOF), with the Maryland State Retirement and Pension System (MSRPS). As stipulated by the operating agreement, TEDCO will manage the operations of MIOF. The purpose of MIOF is to make private equity and venture capital in the State of Maryland. All capital for investment will be contributed by MSRPS. TEDCO will not receive any cost reimbursement or management fees for its management role, rather it will receive a carried interest in the fund as stipulated in the operating agreement. Additionally, TEDCO has guaranteed the investments held by Maryland Venture Fund up to the lesser of the capital invested by MSRPS or \$25,000,000 for potential losses in portfolio losses on investments held by MIOF.

**NOTE 10 RISK MANAGEMENT**

TEDCO, as a public instrumentality of the state of Maryland, benefits from sovereign immunity. As such, it is liable for, and exposed to risk of loss from, causes of action arising in tort (including, inter alia, causes of action alleging errors and omissions) only to the limited extent provided in the Maryland Tort Claims Act (Title 12, State Government Article, Annotated Code of Maryland).

TEDCO is exposed to various risks of loss related to theft of, damage to, and destruction of assets, including, inter alia, those caused by natural disasters. During the years ended June 30, 2018 and 2017, TEDCO carried insurance through various commercial carriers to cover such risks of loss. TEDCO has had no settled claims resulting from these risks that exceeded its commercial insurance coverage in any of the prior three fiscal years.

**NOTE 11 RISKS AND UNCERTAINTIES**

TEDCO invests in various investment securities, which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and those changes could materially affect investment balances.

**SUPPLEMENTARY INFORMATION**

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**CONSOLIDATING STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 11,217,845	\$ 16,750,247	\$ -	\$ 27,968,092
Investments	6,104,607	-	-	6,104,607
Accounts Receivable	552,986	26,690	-	579,676
Grants Receivable	25,000	-	-	25,000
Current Portion of Notes Receivable (Net of Allowance of \$1,457,243)	592,458	87,003	-	679,461
Due from Maryland Innovation Opportunity Fund I, LLC	-	999,999	-	999,999
Prepaid Expenses and Other Current Assets	113,864	-	-	113,864
Total Current Assets	<u>18,606,760</u>	<u>17,863,939</u>	<u>-</u>	<u>36,470,699</u>
<b>NONCURRENT ASSETS</b>				
Restricted Cash	-	13,596,809	-	13,596,809
Investments	4,797,665	69,864,556	-	74,662,221
Grants Receivable – Noncurrent (Net of Allowance of \$0)	925,000	-	-	925,000
Notes Receivable – Noncurrent (Net of Allowance of \$9,540,296)	7,529,453	4,308,537	-	11,837,990
Due from Maryland Venture Fund	174,489	-	(174,489)	-
Deposits	77,015	-	-	77,015
Capital Assets (Net of Accumulated Depreciation and Amortization of \$215,384)	49,847	-	-	49,847
Total Noncurrent Assets	<u>13,553,469</u>	<u>87,769,902</u>	<u>(174,489)</u>	<u>101,148,882</u>
Total Assets	<u>\$ 32,160,229</u>	<u>\$ 105,633,841</u>	<u>\$ (174,489)</u>	<u>\$ 137,619,581</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 1,370,932	\$ 9,084	\$ -	\$ 1,380,016
Stem Cell Grants Payable	12,534,030	-	-	12,534,030
Other Grants Payable	2,591,235	-	-	2,591,235
Due to State of Maryland	-	712,006	-	712,006
Due to TEDCO	-	174,489	(174,489)	-
Unearned Grant Revenue	2,730,567	2,700,719	-	5,431,286
Total Current Liabilities	<u>19,226,764</u>	<u>3,596,298</u>	<u>(174,489)</u>	<u>22,648,573</u>
<b>OTHER LIABILITIES</b>				
Deferred Rent	298,315	-	-	298,315
Total Liabilities	<u>19,525,079</u>	<u>3,596,298</u>	<u>(174,489)</u>	<u>22,946,888</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	49,847	-	-	49,847
Unrestricted	12,585,303	102,037,543	-	114,622,846
Total Net Position	<u>12,635,150</u>	<u>102,037,543</u>	<u>-</u>	<u>114,672,693</u>
Total Liabilities and Net Position	<u>\$ 32,160,229</u>	<u>\$ 105,633,841</u>	<u>\$ (174,489)</u>	<u>\$ 137,619,581</u>

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**CONSOLIDATING STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

<b>ASSETS</b>	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 4,844,040	\$ 14,255,523	\$ -	\$ 19,099,563
Investments	6,179,235	-	-	6,179,235
Accounts Receivable	14,823,520	64,609	-	14,888,129
Grants Receivable	105,000	-	-	105,000
Current Portion of Notes Receivable (Net of Allowance of \$916,875)	382,361	127,090	-	509,451
Prepaid Expenses and Other Current Assets	72,501	-	-	72,501
Total Current Assets	<u>26,406,657</u>	<u>14,447,222</u>	<u>-</u>	<u>40,853,879</u>
<b>NONCURRENT ASSETS</b>				
Restricted Cash	-	20,461,589	-	20,461,589
Investments	2,077,097	61,032,601	-	63,109,698
Grants Receivable – Noncurrent (Net of Allowance of \$200,000)	1,070,000	-	-	1,070,000
Notes Receivable – Noncurrent (Net of Allowance of \$8,801,220)	2,936,940	4,647,329	-	7,584,269
Due from Maryland Venture Fund	127,886	-	(127,886)	-
Deposits	47,109	-	-	47,109
Capital Assets (Net of Accumulated Depreciation and Amortization of \$329,427)	123,098	-	-	123,098
Total Noncurrent Assets	<u>6,382,130</u>	<u>86,141,519</u>	<u>(127,886)</u>	<u>92,395,763</u>
Total Assets	<u>\$ 32,788,787</u>	<u>\$ 100,588,741</u>	<u>\$ (127,886)</u>	<u>\$ 133,249,642</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 1,376,188	\$ 73,345	\$ -	\$ 1,449,533
Stem Cell Grants Payable	13,657,583	-	-	13,657,583
Other Grants Payable	2,561,053	-	-	2,561,053
Due to State of Maryland	-	423,118	-	423,118
Due to TEDCO	-	127,886	(127,886)	-
Unearned Grant Revenue	4,577,709	6,337,971	-	10,915,680
Total Current Liabilities	<u>22,172,533</u>	<u>6,962,320</u>	<u>(127,886)</u>	<u>29,006,967</u>
<b>OTHER LIABILITIES</b>				
Deferred Rent	304,407	-	-	304,407
Total Liabilities	<u>22,476,940</u>	<u>6,962,320</u>	<u>(127,886)</u>	<u>29,311,374</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	123,098	-	-	123,098
Unrestricted	10,188,749	93,626,421	-	103,815,170
Total Net Position	<u>10,311,847</u>	<u>93,626,421</u>	<u>-</u>	<u>103,938,268</u>
Total Liabilities and Net Position	<u>\$ 32,788,787</u>	<u>\$ 100,588,741</u>	<u>\$ (127,886)</u>	<u>\$ 133,249,642</u>

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018**

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
<b>OPERATING REVENUES</b>				
State of Maryland Grants				
Maryland Stem Cell Research	\$ 8,200,000	\$ -	\$ -	\$ 8,200,000
Maryland Innovation Initiative	6,691,054	-	-	6,691,054
TEDCO Operations	6,773,191	-	-	6,773,191
Total State of Maryland Grants	<u>21,664,245</u>	<u>-</u>	<u>-</u>	<u>21,664,245</u>
Federal Grants	646,399	3,637,252	-	4,283,651
Sponsorships	67,132	-	-	67,132
Royalties	469,353	-	-	469,353
Other Revenues	1,439,694	24,762	-	1,464,456
Total Operating Revenues	<u>24,286,823</u>	<u>3,662,014</u>	<u>-</u>	<u>27,948,837</u>
<b>OPERATING EXPENSES</b>				
Stem Cell Program	12,317,026	-	-	12,317,026
Tech Transfer	6,635,419	-	-	6,635,419
Business Incubation	1,522,523	-	-	1,522,523
Maryland Venture Fund Program	-	1,609,214	-	1,609,214
General Administration	1,677,819	-	-	1,677,819
Total Operating Expenses	<u>22,152,787</u>	<u>1,609,214</u>	<u>-</u>	<u>23,762,001</u>
<b>NET OPERATING INCOME (LOSS)</b>	2,134,036	2,052,800	-	4,186,836
<b>NONOPERATING REVENUES</b>				
Investment Earnings (Losses)	189,267	7,070,328	-	7,259,595
Transfer to State of Maryland General Fund	<u>-</u>	<u>(712,006)</u>	<u>-</u>	<u>(712,006)</u>
<b>INCREASE IN NET POSITION</b>	2,323,303	8,411,122	-	10,734,425
Net Position – Beginning of Year	<u>10,311,847</u>	<u>93,626,421</u>	<u>-</u>	<u>103,938,268</u>
<b>NET POSITION – END OF YEAR</b>	<u>\$ 12,635,150</u>	<u>\$ 102,037,543</u>	<u>\$ -</u>	<u>\$ 114,672,693</u>



**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2017**

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
<b>OPERATING REVENUES</b>				
State of Maryland Grants:				
Maryland Stem Cell Research	\$ 14,378,582	\$ -	\$ -	\$ 14,378,582
Maryland Innovation Initiative	7,529,803	-	-	7,529,803
TEDCO Operations	4,673,192	-	-	4,673,192
Total State of Maryland Grants	<u>26,581,577</u>	<u>-</u>	<u>-</u>	<u>26,581,577</u>
Federal Grants	1,783,537	739,917	-	2,523,454
Sponsorships	46,184	-	-	46,184
Royalties	461,539	15,545	-	477,084
Other Revenues	1,397,808	20,597	-	1,418,405
Total Operating Revenues	<u>30,270,645</u>	<u>776,059</u>	<u>-</u>	<u>31,046,704</u>
<b>OPERATING EXPENSES</b>				
Stem Cell Program	14,557,703	-	-	14,557,703
Tech Transfer	12,519,985	-	-	12,519,985
Business Incubation	1,686,791	-	-	1,686,791
Maryland Venture Fund Program	-	1,573,509	-	1,573,509
General Administration	581,587	-	-	581,587
Total Operating Expenses	<u>29,346,066</u>	<u>1,573,509</u>	<u>-</u>	<u>30,919,575</u>
<b>NET OPERATING INCOME (LOSS)</b>	924,579	(797,450)	-	127,129
<b>NONOPERATING REVENUES</b>				
Investment Earnings (Losses)	632,376	1,690,678	-	2,323,054
Transfer to State of Maryland General Fund	<u>-</u>	<u>(423,118)</u>	<u>-</u>	<u>(423,118)</u>
<b>INCREASE IN NET POSITION</b>	1,556,955	470,110	-	2,027,065
Net Position – Beginning of Year	<u>8,754,892</u>	<u>93,156,311</u>	<u>-</u>	<u>101,911,203</u>
<b>NET POSITION – END OF YEAR</b>	<u>\$ 10,311,847</u>	<u>\$ 93,626,421</u>	<u>\$ -</u>	<u>\$ 103,938,268</u>

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**  
**A COMPONENT UNIT OF THE STATE OF MARYLAND**  
**SCHEDULE OF GOVERNMENTAL ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

Functions	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Position
		Operating Grants	Sponsorships and Royalties	
Stem Cell Program	\$ 12,317,026	\$ 8,170,957	\$ 5,000	\$ (4,141,069)
Tech Transfer	6,635,419	11,750,447	452,014	5,567,042
Business Incubation	1,522,523	1,730,006	78,775	286,258
Maryland Venture Fund	1,609,214	3,637,252	-	2,028,038
General Administration	1,677,819	659,235	695	(1,017,889)
Total	\$ 23,762,001	\$ 25,947,897	\$ 536,484	2,722,380
<b>General Revenues</b>				
				1,464,456
				7,259,595
				8,724,051
				Transfer to State of Maryland General Fund
				(712,006)
				<b>Change in Net Position</b>
				10,734,425
				Net Position – Beginning of Year
				103,938,268
				<b>Net Position – End of Year</b>
				\$ 114,672,693

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION  
A COMPONENT UNIT OF THE STATE OF MARYLAND  
SCHEDULE OF GOVERNMENTAL ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

Functions	Expenses	Program Revenues		Net (Expenses) Revenues and Change in Net Position
		Operating Grants	Sponsorships and Royalties	
Stem Cell Program	\$ 14,557,703	\$ 14,378,582	\$ 965	\$ (178,156)
Tech Transfer	12,519,985	12,147,780	449,837	77,632
Business Incubation	1,686,791	958,561	55,420	(672,810)
Maryland Venture Fund	1,573,509	739,917	15,545	-
General Administration	581,587	880,192	1,500	300,105
Total	\$ 30,919,575	\$ 29,105,032	\$ 523,267	(1,291,276)
<b>General Revenues</b>				
				1,418,405
				2,323,054
				3,741,459
				Transfer to State of Maryland General Fund
				(423,117)
				<b>Change in Net Position</b>
				2,027,066
				Net Position - Beginning of Year
				101,911,202
				<b>Net Position - End of Year</b>
				\$ 103,938,268