

**MARYLAND TECHNOLOGY DEVELOPMENT
CORPORATION**

A COMPONENT UNIT OF THE STATE OF MARYLAND

**Consolidated Financial Statements and
Supplementary Information**

For the Years Ended June 30, 2023 and 2022

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying consolidated financial statements of the Maryland Technology Development Corporation (TEDCO), a component unit of the State of Maryland, as of and for the years ended June 30, 2023 and 2022, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of TEDCO, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TEDCO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TEDCO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TEDCO's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 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.

Supplementary 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 accompanying consolidating schedules of net position, consolidating schedules 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 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 2 to the consolidated financial statements, TEDCO adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023, 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 results 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.

SC+H Attest Services, P.C.

Baltimore, Maryland
September 22, 2023

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Management's Discussion and Analysis
For the Years Ended June 30, 2023 and 2022

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. This mission has expanded to include the enhancement of Maryland's economic development by fostering an inclusive entrepreneurial innovation ecosystem. To accomplish this, TEDCO identifies, invests in, and supports the growth of technology companies throughout Maryland through the distribution of grants and investments focused on technology commercialization, financial support for incubators, and educational and coaching activities for entrepreneurs.

Additionally, TEDCO administers the Maryland Stem Cell Research Fund (MSCRF), which promotes State-funded stem cell research through grants to public and private entities in the State, along with administering the Maryland Innovation Initiative (MII). MII is focused on supporting technology proof of concept and commercialization of research conducted in partnership universities and leveraging each institution's strengths. In October 2015, TEDCO acquired the Maryland Venture Fund (MVF) through legislation. However, TEDCO does not receive any new appropriation for the operation of MVF and now considers MVF an Evergreen Fund.

As usual, TEDCO has had a very productive Fiscal Year 2023. Applications were higher in most programs and interest in our programs and services remained high as evidenced by a large demand for funding and staff mentoring/counseling. Some specific program statistics follow:

- Technology Commercialization Fund (TCF)
 - 84 applications, 3 companies funded, \$870,000 deployed.
- Life Science Investment Fund (LSIF)
 - 23 applications, 7 companies funded, \$1,849,973 deployed.
- Cyber Security Investment Fund (CIF)
 - 14 applications, 6 companies funded, \$2,150,000 deployed.
- MSCRF
 - 91 applications, 51 projects funded, \$18,281,023 deployed.
- MII
 - 47 applications, 34 projects funded, \$5,251,173 deployed.
- Gap Investment Fund
 - 17 applications, 2 company funded, \$1,000,000 deployed.
- Builder Fund
 - 115 applications, 20 companies funded, \$4,000,000 deployed.
- Inclusion Fund
 - 1 company funded, \$100,000 deployed.
- SSBCI 2.0
 - 23 companies funded, \$10,844,059 deployed.
- Makerspace
 - 33 applications, 20 companies funded, \$799,115 deployed.

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Brief Discussion of the Basic Financial Statements – continued

TEDCO continues to be one of the most active players in Maryland's innovation and entrepreneurial community. Examples of this activity include serving on boards like Maryland incubators, tech council and industry groups; sponsoring and participating in numerous events throughout the State; and enhancing economic development in our rural and urban communities with a dedicated program to help grow technology innovations.

A key ingredient to TEDCO's success is collaboration. TEDCO takes on a variety of collaborations including 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, tech councils and state and federal legislators through testimonial support of policy and program initiatives.

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 and MVF.

The discussion and analysis that follows presents a general overview of the financial performance and activities of the consolidated entity of TEDCO from July 1, 2022 through June 30, 2023. 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.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
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Consolidated Comparative Financial Statements

Condensed consolidated statements of net position:

	2023	2022	2021	2023 / 2022 Change	2022 / 2021 Change
CURRENT ASSETS					
Cash and cash equivalents	\$ 61,965,463	\$ 48,660,369	\$ 56,867,963	\$ 13,305,094	\$ (8,207,594)
Investments	2,011,720	2,426,322	3,212,769	(414,602)	(786,447)
Accounts receivable	277,428	560,966	1,960,091	(283,538)	(1,399,125)
Loan receivable	25,000	25,000	25,000	-	-
Current portion of notes receivable	1,589,742	831,359	761,852	758,383	69,507
Prepaid expenses and other current assets	89,234	113,625	102,119	(24,391)	11,506
Total Current Assets	<u>65,958,587</u>	<u>52,617,641</u>	<u>62,929,794</u>	<u>13,340,946</u>	<u>(10,312,153)</u>
NONCURRENT ASSETS					
Restricted cash	1,188,503	1,454,532	2,006,667	(266,029)	(552,135)
Investments	69,681,983	68,476,514	70,870,518	1,205,469	(2,394,004)
Loan receivable	800,000	825,000	850,000	(25,000)	(25,000)
Notes receivable	27,087,705	14,299,297	9,447,627	12,788,408	4,851,670
Deposits	26,340	49,476	71,340	(23,136)	(21,864)
Subscription assets	567,408	398,819	-	168,589	398,819
Right-of-use assets	-	1,005,681	1,279,957	(1,005,681)	(274,276)
Capital assets	48,600	24,259	14,648	24,341	9,611
Total Noncurrent Assets	<u>99,400,539</u>	<u>86,533,578</u>	<u>84,540,757</u>	<u>12,866,961</u>	<u>1,992,821</u>
Total Assets	<u>\$ 165,359,126</u>	<u>\$ 139,151,219</u>	<u>\$ 147,470,551</u>	<u>\$ 26,207,907</u>	<u>\$ (8,319,332)</u>
LIABILITIES					
Current liabilities	\$ 35,004,635	\$ 19,663,472	\$ 27,143,306	\$ 15,341,163	\$ (7,479,834)
Non-current liabilities	296,503	1,200,477	1,266,540	(903,974)	(66,063)
Total Liabilities	<u>35,301,138</u>	<u>20,863,949</u>	<u>28,409,846</u>	<u>15,316,163</u>	<u>(7,504,834)</u>
NET POSITION					
Net investment in capital assets	25,299	-	-	25,299	-
Unrestricted	130,032,689	118,287,270	119,060,705	11,745,419	(773,435)
Total Net Position	<u>130,057,988</u>	<u>118,287,270</u>	<u>119,060,705</u>	<u>11,770,718</u>	<u>(773,435)</u>
Total Liabilities and Net Position	<u>\$ 165,359,126</u>	<u>\$ 139,151,219</u>	<u>\$ 147,470,551</u>	<u>\$ 26,207,907</u>	<u>\$ (8,319,332)</u>

The largest portions of TEDCO's total assets as of June 30, 2023 are investments of \$71,693,703, cash and cash equivalents, including restricted cash, of \$63,153,966, and notes receivable of \$27,395,933.

The largest portions of TEDCO's total assets as of June 30, 2022 are investments of \$70,902,836, cash and cash equivalents, including restricted cash, of \$50,114,901, and notes receivable of \$15,130,656.

The largest portion of TEDCO's total liabilities as of June 30, 2023 are stem cell and other grants payable of \$22,053,312.

The largest portion of TEDCO's total liabilities as of June 30, 2022 are stem cell and other grants payable of \$11,994,229.

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Comparative Financial Statements – continued

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

	2023	2022	2021	2023 / 2022 Change	2022 / 2021 Change
Operating Revenues – Grants and Other	\$ 54,909,864	\$ 25,903,594	\$ 27,159,078	\$ 29,006,270	\$ (1,255,484)
Operating Expenses					
Stem Cell Program	19,185,466	9,077,608	8,169,528	10,107,858	908,080
Tech Transfer	6,542,989	7,131,495	8,328,742	(588,506)	(1,197,247)
Business Incubation	3,384,173	2,576,167	6,315,222	808,006	(3,739,055)
Maryland Venture Fund	2,232,082	1,188,406	1,159,414	1,043,676	28,992
General Administration	4,656,806	2,748,461	1,590,337	1,908,345	1,158,124
Total Operating Expenses	<u>36,001,516</u>	<u>22,722,137</u>	<u>25,563,243</u>	<u>13,279,379</u>	<u>(2,841,106)</u>
Net Operating Income	18,908,348	3,181,457	1,595,835	15,726,891	1,585,622
Investment Earnings (Losses)	(2,344,828)	10,848,413	22,115,849	(13,193,241)	(11,267,436)
Transfer to State of Maryland	(4,792,802)	(14,803,305)	(17,670,260)	10,010,503	2,866,955
Change in Net Position	<u>\$ 11,770,718</u>	<u>\$ (773,435)</u>	<u>\$ 6,041,424</u>	<u>\$ 12,544,153</u>	<u>\$ (6,814,859)</u>
Total Revenues	<u>\$ 52,565,036</u>	<u>\$ 36,752,007</u>	<u>\$ 49,274,927</u>	<u>\$ 15,813,029</u>	<u>\$ (12,522,920)</u>

Analysis of Overall Financial Position and Results of Operations

TEDCO's revenues are derived primarily from State grants for operations and the administration of MSCRF and MII, Federal grants, royalties, and investment earnings. TEDCO's revenues increased approximately 43% from \$36,752,007 for the year ended June 30, 2022 to \$52,565,036 for the year ended June 30, 2023. Most of this increase was from the increase of State funding for the Stem Cell Research program.

TEDCO's revenues decreased approximately 25% from \$49,274,927 for the year ended June 30, 2021 to \$36,752,007 for the year ended June 30, 2022. This decrease was primarily from a drop in investment earnings (\$11M).

TEDCO's programs & operations revenue (not including stem cell and MII) from the State of Maryland increased approximately 48% from \$10,202,738 for the year ended June 30, 2022 to \$15,125,125 for the year ended June 30, 2023. This increase was primarily due to the revenue released (earned income) associated when an investment is made plus two new programs funded by the State; State Small Business Credit Initiative (SSBCI) and the Inclusion Fund. The Builder Fund and Life Science Investment programs had an increase from FY22.

TEDCO's programs & operations revenue (not including stem cell and MII) from the State of Maryland decreased approximately 13% from \$11,735,340 for the year ended June 30, 2021 to \$10,202,738 for the year ended June 30, 2022. This decrease was due to one-time programs funded in FY2021.

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Analysis of Overall Financial Position and Results of Operations - continued

TEDCO's current assets increased approximately 25% from \$52,617,641 as of June 30, 2022 to \$65,958,587 as of June 30, 2023. The increase is due to an increase in cash and cash equivalents and accounts receivable.

TEDCO's current assets decreased approximately 16% from \$62,929,794 as of June 30, 2021 to \$52,617,641 as of June 30, 2022. The decrease is due to a decrease in cash and cash equivalents and accounts receivable.

TEDCO's noncurrent assets increased approximately 14.8% from \$86,533,578 as of June 30, 2022 to \$99,400,539 as of June 30, 2023. The increase is due to an increase in notes receivable.

TEDCO's noncurrent assets increased approximately 2% from \$84,540,757 as of June 30, 2021 to \$86,533,578 as of June 30, 2022. The increase is due to an increase in notes receivable (\$4.8M) offset by a decrease in investments (\$2.4M).

TEDCO's current liabilities increased approximately 78% from \$19,663,472 as of June 30, 2022 to \$35,004,635 as of June 30, 2023. This increase is due to the deployment of the additional Stem Cell grant funds from the State for FY23. Most Stem Cell grants are awarded in May and at year-end are a current liability.

TEDCO's current liabilities decreased approximately 27.6% from \$27,143,306 as of June 30, 2021 to \$19,663,472 as of June 30, 2022. This decrease is due to the reduction of other grants payable (RUBRIC grants paid out) and a reduction of accounts payable and accrued expenses at year-end.

Operating expenses increased approximately 58% from \$22,722,137 for the year ended June 30, 2022 to \$36,001,516 for the year ended June 30, 2023. This is primarily due to an increase of \$10M in the Stem Cell Program along with \$2M in General Administration expenses.

Operating expenses decreased approximately 11% from \$25,563,243 for the year ended June 30, 2021 to \$22,722,137 for the year ended June 30, 2022. This is primarily due to a decrease of \$3.7M in Business Incubation from the FY21 RUBRIC program.

Net position increased by approximately 9.9% from \$118,287,270 as of June 30, 2022 to \$130,063,788 as of June 30, 2023.

Net position decreased by approximately 0.7% from \$119,060,705 as of June 30, 2021 to \$118,287,270 as of June 30, 2022.

Description of Capital Asset and Long-Term Debt Activity

During fiscal year 2023, TEDCO did not purchase any major capital assets. Computer equipment was purchased at a cost of \$22,310. Depreciation and amortization expense was \$4,856 for the year ended June 30, 2023.

During fiscal year 2022, TEDCO did not purchase any major capital assets. Computer equipment was purchased at a cost of \$17,308. Depreciation and amortization expense was \$6,731 for the year ended June 30, 2022.

TEDCO does not have any long-term debt.

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Discussion of Currently Known Facts, Decisions, or Conditions

Fiscal Year 2024 State-Funded Operating Budget

The total State appropriation to TEDCO for fiscal year 2024 is \$59,676,649.

The breakdown of funds is:

- Operating Programs-\$2,935,816
- Cyber MarylandTEDCO -\$690,000
- MSCRF-\$20,500,000
- MII-\$5,300,000
- MII Pilot - \$500,000
- Rural Business Innovation Initiative-\$640,000
- Maryland Industrial Partnerships-\$300,000
- CIF-\$900,000
- LSIF-\$1,000,000
- Gap Investment Fund-\$1,000,000
- Builder Investment Fund-\$6,200,000
- Inclusion Fund - \$750,000
- Animal Testing - \$915,000
- Equitech Fund - \$3,000,000
- Makerspace - \$1,000,000
- Maryland Equity Investment Fund - \$10,000,000
- SSBCI 2.0 - \$4,045,833

The purpose of MSCRF is to promote State-funded stem cell research and cures through grants to public and private entities in the State. MSCRF 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 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.

MII was established in 2012 to accelerate the rate of commercializing university-developed technologies in Maryland. 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 \$5,300,000, each of the five Universities contribute into this program for an additional \$800,000.

The Maryland Innovation Initiative (MII) Pilot Program is pursuing the vision of promoting entrepreneurship and technology commercialization at two pilot universities – Bowie State University and Frostburg State University. The Program is designed to poise these universities as formidable anchor institutions for their respective regions and communities and expose these comprehensive universities to the knowledge and resources available at the major research institution partners in the main MII program, thus knitting the university entrepreneurship ecosystem together.

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Discussion of Currently Known Facts, Decisions, or Conditions - continued

The Rural Business Innovation Initiative assists start-up and small technology-based businesses in the rural and urban 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 Cyber Investment Fund (CIF) will support Maryland companies to develop and commercialize new cybersecurity products.

The Life Science Investment Fund (LSIF) 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 addresses 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 helps retain these Maryland companies, many of which have already taken advantage of Maryland's various seed and pre-seed funding resources.

The Builder Investment 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.

The Inclusion Fund is a fund within TEDCO's Social Impact Funds. The Inclusion Fund focuses on investment opportunities that are often overlooked by traditional sources of investment and financing because of economic disadvantage. One of the biggest challenges is the gap between pre-seed and seed funding for these early-stage technology businesses and the Inclusion fund and seeks to invest in these companies. Ultimately, the companies create jobs in the State and become attractive candidates for follow on financing or investing.

The Makerspace Fund was created through legislation passed by the Maryland General Assembly. It provides grants up to \$100,000 and technical assistance for qualified entities looking to establish a new Makerspace, expand an existing Makerspace, or develop Makerspace programming. The goal is to grow a state-wide community of Makerspaces that provides entrepreneurs with access to tools, technologies, and knowledge to support their growth and development as well as expand workforce training. Funding will be awarded to 20 projects spanning 11 counties and Baltimore City.

For the SSBCI (State Small Business Credit Initiative) program, TEDCO will receive up to \$50 million and will allocate the funds into four existing programs targeting technology-based Maryland businesses and entrepreneurs. Three programs—the Venture Equity Fund, Venture Capital Limited Partnership Equity program, and Seed Funds Equity program—are primarily focused on venture capital and startup funding. The fourth, the Social Impact Funds, provides investment and support to entrepreneurs who demonstrate economic or social disadvantage. Through these four programs, TEDCO will continue to leverage its relationships with top-tier technology companies, entrepreneurs, and investors in the state while collaborating with universities, regional business accelerators and incubators, and other organizations.

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Discussion of Currently Known Facts, Decisions, or Conditions - continued

The Equitech Growth Fund was legislated in 2023 and created the Maryland Equitech Growth Fund within TEDCO to address specific areas and goals, with funding provided at \$3 million in FY24 and \$5 million annually through FY33. A strategic plan is to be developed in consultation with the Maryland Economic Development Corporation, the Maryland Small Business Development Financing Authority, industry, university, and representative community groups. Ultimately, the legislative leadership seeks an impactful, inclusive, and measurable long-term economic development strategy in advanced technology industries to accelerate Maryland’s growth. In tandem with this legislative effort, TEDCO launched an umbrella initiative – Cultivate Maryland – that captures the myriad of TEDCO programs that fall under the Equitech priorities such as TEDCO’s women entrepreneur programs, RBII, E3, the Maryland Stem Cell Research Fund, Marketing, etc. Over 40 ecosystem stakeholders have pledged their support of this initiative, focused on stitching and scaling Maryland innovation assets, and addressing gaps.

The Maryland General Assembly created the Cyber Maryland Program for multiple purposes. The program will (1) create a talent pipeline that materially reduces workforce vacancies by July 1, 2026; (2) serve as a one-stop shop for employers seeking to leverage cyber workforce development programs offered by the State and its partners; (3) inform cybersecurity training and education programs operated by public or private entities with industry-driven needs; (4) build the most advanced local and State information technology (IT) workforce in the nation; (5) coordinate and accelerate cybersecurity research and innovation in the State; and (6) support the efforts of the Maryland Department of Information Technology to improve the State government’s cybersecurity posture, including State agencies, local government units, and critical infrastructure.

The Maryland Equity Investment Fund’s purpose is to allow unappropriated general fund surplus to be invested in a “qualified business” – with a goal to increase private equity and venture capital in the State. For fiscal 2024, the Governor must include an appropriation to the new fund equal to 10% of the unappropriated general fund surplus in excess of \$10.0 million from the second prior fiscal year, up to a maximum of \$10.0 million, with up to \$15.0 million instead of up to \$25.0 million being appropriated to the SRPS accumulation funds (trust fund) that year.

Maryland’s entrepreneurs repeatedly express the need for assistance in certain very specific areas ranging from pitch practice and resources to peer support and mentoring to grants and rural pre-seed investments. TEDCO’s Entrepreneur and Ecosystem Empowerment (E3) provides this while also supporting a range of ecosystem partners. TEDCO’s Network Advisor program consists of experts and serial entrepreneurs that have current, relevant experience in a wide range of areas. They share their broad and diversified depth of experience with Maryland’s start-up companies for the purpose of helping the State’s technology-based entrepreneurs reach their full potential.

The Enterprise Investment Fund is MVF’s flagship fund. MVF invests in early-stage growth companies that are leaders in software, hardware, cybersecurity or life science verticals. The typical initial investment ranges from \$300,000 to \$1,500,000 with the potential for additional investment for follow-on opportunities. The Enterprise Fund is an “evergreen fund” that reinvests returns into new and existing Maryland-based companies based on several factors that include the potential opportunity, return on investment and impact on economic development for Maryland.

Contacting TEDCO

Interested parties can contact TEDCO at 7021 Columbia Gateway Drive, Suite 500, Columbia, Maryland, 21046.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

Consolidated Statements of Net Position

<i>As of June 30,</i>	<i>2023</i>	<i>2022</i>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 61,965,463	\$ 48,660,369
Investments	2,011,720	2,426,322
Accounts receivable	277,428	560,966
Loan receivable	25,000	25,000
Current portion of notes receivable, net of allowance of \$2,578,929 and \$1,558,801	1,589,742	831,359
Prepaid expenses and other current assets	89,234	113,625
Total Current Assets	65,958,587	52,617,641
Non-current Assets:		
Restricted cash	1,188,503	1,454,532
Investments	69,681,983	68,476,514
Loan receivable – noncurrent	800,000	825,000
Notes receivable – noncurrent, net of allowance of \$12,366,159 and \$12,231,862	27,087,705	14,299,297
Deposits	26,340	49,476
Subscription assets, net of accumulated amortization of \$432,208 and \$179,380 (as restated)	567,408	398,819
Right-of-use assets, net of accumulated amortization of \$0 and \$548,533	-	1,005,681
Capital assets, net of accumulated depreciation and amortization of \$46,330 and \$277,154	48,600	24,259
Total Non-current Assets (as restated)	99,400,539	86,533,578
Total Assets (as restated)	\$ 165,359,126	\$ 139,151,219
Liabilities and Net Position		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 3,756,479	\$ 2,263,194
Accrued interest (as restated)	1,503	71,656
Stem cell grants payable	19,992,817	9,363,642
Other grants payable	2,060,495	2,630,587
Due to State of Maryland	4,792,803	3,570,255
Subscription liabilities (as restated), current portion	292,703	191,610
Lease liability, current portion	-	310,311
Unearned grant revenue	4,107,835	1,262,217
Total Current Liabilities (as restated)	35,004,635	19,663,472
Non-current Liabilities:		
Subscription liabilities (as restated), net of current portion	296,503	244,248
Lease liability, net of current portion	-	956,229
Total Non-current Liabilities (as restated)	296,503	1,200,477
Total Liabilities (as restated)	35,301,138	20,863,949
Commitments and Contingencies (Note 10)		
Net Position:		
Net investment in capital assets (as restated)	25,299	-
Unrestricted (as restated)	130,032,689	118,287,270
Total Net Position (as restated)	130,057,988	118,287,270
Total Liabilities and Net Position (as restated)	\$ 165,359,126	\$ 139,151,219

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

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

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

<i>For the Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Operating Revenues:		
State of Maryland grants:		
Maryland Stem Cell Research	\$ 19,193,541	\$ 9,077,608
State Small Business Credit Initiative	11,081,043	-
Maryland Innovation Initiative	6,670,498	5,161,602
TEDCO operations	15,128,125	10,202,738
Total State of Maryland grants	52,073,207	24,441,948
Federal grants	206,109	146,525
Sponsorships	2,295	9,000
Royalties	345,137	396,930
Other revenues	2,283,116	909,191
Total Operating Revenues	54,909,864	25,903,594
Operating Expenses		
Stem Cell Program	19,185,466	9,077,608
Tech Transfer	6,542,989	7,131,495
Business Incubation	3,384,173	2,576,167
Maryland Venture Fund	2,232,082	1,188,406
General Administration (as restated)	4,656,806	2,748,461
Total Operating Expenses (as restated)	36,001,516	22,722,137
Operating Income	18,908,348	3,181,457
Non-operating Revenues		
Investment (Losses) Earnings	(2,344,828)	10,848,413
Transfer to State of Maryland	(4,792,802)	(14,803,305)
Change in Net Position (as restated)	11,770,718	(773,435)
Net Position, beginning of year	118,287,270	119,060,705
Net Position, end of year (as restated)	\$ 130,057,988	\$ 118,287,270

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

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

Consolidated Statements of Cash Flows

<i>For the Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Cash Flows from Operating Activities:		
Cash received from operations	\$ 58,039,020	\$ 24,251,202
Cash paid for operations	(22,896,071)	(24,819,263)
Net Cash, Cash Equivalents and Restricted Cash Provided by (Used In) Operating Activities	35,142,949	(568,061)
Cash Flows from Investing Activities:		
Proceeds from sale of investments	6,494,657	3,746,932
Purchases of investments	(12,616,002)	(3,995,290)
Distributions from investments	4,792,802	12,598,018
Payments on loan receivable	25,000	25,000
Payments on notes receivable	1,285,715	4,216,779
Advances of notes receivable	(18,000,986)	(8,026,908)
Capital and related purchases of property and equipment	(43,845)	(17,311)
Loss on disposal of property and equipment	2,247	-
Net Cash, Cash Equivalents and Restricted Cash (Used in) Provided by Investing Activities	(18,060,412)	8,547,220
Cash Flows from Financing Activities:		
Payments on lease liabilities	(205,149)	(286,504)
Payments on subscription liabilities	(268,069)	(142,341)
Net Cash, Cash Equivalents and Restricted Cash Used In Investing Activities	(473,218)	(428,845)
Transfer to State of Maryland General Fund	(3,570,254)	(16,310,043)
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	13,039,065	(8,759,729)
Cash, Cash Equivalents and Restricted Cash, beginning of year	50,114,901	58,874,630
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 63,153,966	\$ 50,114,901
Reconciliation of operating income to net cash, cash equivalents and restricted cash provided by (used in) operating activities		
Operating Income	\$ 18,908,348	\$ 3,181,457
Adjustments to reconcile operating income to net cash, cash equivalents and restricted cash provided by (used in) operating activities:		
Depreciation and amortization	407,223	461,356
Provision for bad debt	1,168,480	568,156
Changes in operating assets and liabilities:		
Accounts receivable	283,538	1,399,125
Prepaid expenses and other current assets	24,391	(11,506)
Deposits	23,136	21,864
Accounts payable and accrued expenses	1,493,285	(1,349,676)
Accrued interest	(70,153)	(12,102)
Stem cell grants payable	10,629,175	(197,394)
Grants payable	(570,092)	(1,577,824)
Unearned grant revenue	2,845,618	(3,051,517)
Net Cash, Cash Equivalents and Restricted Cash Provided by (Used In) Operating Activities	\$ 35,142,949	\$ (568,061)

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

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

Consolidated Statements of Cash Flows - continued

<i>For the Years Ended June 30,</i>	<i>2023</i>	<i>2022</i>
Non-cash Operating Activities		
Recognition of subscription asset (Note 10)	\$ 421,417	\$ 578,199
Recognition of subscription liability (Note 10)	\$ 421,417	\$ 578,199
Derecognition of right-of-use asset (Note 10)	\$ 868,543	\$ -
Derecognition of lease liability (Note 10)	\$ 1,061,391	\$ -
Non-cash Investing Activities		
Convertible Notes Receivable Converted to Equity Securities	\$ 2,000,000	\$ 650,000
Increase (Decrease) in Fair Value of Investments	\$ (7,648,452)	\$ 10,547,631
RECONCILIATION TO STATEMENT OF NET POSITION		
Cash and Cash Equivalents	\$ 61,965,463	\$ 48,660,369
Restricted Cash	1,188,503	1,454,532
Total Cash, Cash Equivalents and Restricted Cash	\$ 63,153,966	\$ 50,114,901

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

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND 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 18 individuals, the Secretary of the Maryland Department of Commerce and 17 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, non-lapsing fund that is not subject to the State Finance and Procurement Article.
- Administer the Maryland Innovation Initiative Fund (MII). The purpose of the Fund is to promote commercialization of research conducted in the partnership universities and leverage each institution's strengths through grants to eligible research universities and university affiliated start-up companies.
- Administer the Maryland Venture Fund (MVF), an early-stage, evergreen venture capital 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 MVF. TEDCO acquired MVF in October 2015 through legislation. 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.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Accounting – continued

TEDCO prepares its consolidated 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 GASB. The consolidated statements of net position present all of TEDCO’s assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as “net position.”

The statements of net position combine and consolidate all of TEDCO’s current financial resources with capital assets (net of accumulated depreciation) and liabilities. The end result is categorized as unrestricted net position. The consolidated statements of revenues, expenses and changes in net position present 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.

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 consolidated 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 consolidated 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 an original maturity 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.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Restricted Cash

Restricted cash represents amounts on deposit with the State Treasurer of \$17,678 and \$17,678 and with commercial banks of \$1,170,825 and \$1,436,854 as of June 30, 2023 and 2022, respectively. These amounts are designated to fulfill funding commitments of certain investments.

Accounts Receivable

Accounts receivable represent amounts appropriated from the State of Maryland, royalties due from companies TEDCO invested in and proceeds due from the sale of investments. Accounts receivable are reported at their outstanding balances. Based on past experience with accounts receivable from the State of Maryland and current analysis of amounts due from companies, TEDCO's management believes that no allowance for doubtful accounts is necessary.

Loan Receivable

Loan receivable consists of a non-interest bearing promissory note due from Dorchester County for funding TEDCO provided for the construction of a technology incubator. Loan receivable is reported at its outstanding balance. Beginning July 15, 2016, payments totaling \$25,000 are due annually. The loan receivable must be repaid in full within 15 years.

Notes Receivable

TEDCO provides funding to various borrowers from its Maryland Technology Commercialization Fund, CyberSecurity Investment Fund, State Small Business Credit Initiative, and MVF. 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. With the approval of TEDCO's Executive Director, the notes can be converted into equity investments.

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, 2023 and 2022, TEDCO determined the allowance for doubtful accounts to be \$14,945,088 and \$13,790,663, respectively.

Investments

Investments consist of U.S. government securities, agency securities and equity securities.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments – continued

TEDCO, through the Seed Investment Fund, Life Science Investment Fund and Builder Fund programs have made certain equity investments in early-stage technology companies that are economically viable but have not yet attracted venture capital investment. These programs also have made 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. TEDCO, through MVF, has made certain investments in early-stage companies that are growing the next generation of outstanding businesses in Maryland. MVF has made investments into venture capital partnerships that invest in early-stage technology companies where there is a significant risk of private capital being deployed. Most of these equity investments are in businesses that 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 MVF's investments could be significantly affected.

TEDCO has a program for providing seed capital to start-up technology companies. TEDCO follows State of Maryland regulations, as stipulated in TEDCO's investment policy, in selecting its investment funds and companies.

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.

Deposits

Deposits consist of amounts related to future periods that TEDCO has paid in conjunction with certain leases.

Right-Of-Use Assets

TEDCO has adopted a policy of capitalizing right-of-use assets held under lease liabilities as defined by GASB Statement No. 87, *Leases*. These assets include leased facilities. The leased assets are recorded at the present value of the leased liability and amortized using a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset.

Subscription Assets

TEDCO has adopted a policy of capitalizing subscription assets held under subscription liabilities as defined by GASB Statement No. 96, *Subscription-Based Information Technology Agreements*. These assets include subscription based information technology arrangements. The subscription assets are recorded at the present value of the subscription liability and amortized using a systematic and rational manner over the shorter of the subscription term or useful life of the underlying asset.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets

Capital assets are recorded at cost less accumulated depreciation and amortization. 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.

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 consolidated statements of revenues, expenses, and changes in net position.

Capital assets are evaluated for impairment on an annual basis under GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries* (GASB 42). GASB 42 requires an evaluation of prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. As of June 30, 2023 and 2022, management does not believe that any of the capital assets of TEDCO meet the criteria for impairment as set forth in GASB 42.

Unearned Grant Revenue

Unearned grant revenue results from unexpended federal and nonfederal grant advances. TEDCO recognizes grant revenue when related expenses are incurred. As of June 30, 2023 and 2022, unearned grant revenue was \$4,107,835 and \$1,262,217, respectively.

Revenue Recognition

Revenues are recognized when earned. The State of Maryland has granted TEDCO an operating grant of \$6,775,816 and \$6,335,816 for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022, the State of Maryland granted TEDCO \$20,500,000 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, 2023 and 2022 totaled \$19,193,541 and \$9,077,608, respectively.

TEDCO receives grant funds from the United States Department of the Treasury through the State Small Business Credit Initiative (SSBCI) to support private financing to small businesses. TEDCO recognizes revenue in relation to these grant funds when TEDCO commits these funds and the funds are payable. SSBCI funding recognized as revenue for the years ended June 30, 2023 and 2022 totaled \$11,081,043 and \$0, respectively.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition – continued

TEDCO Operations consolidated statement of revenues, expenses and changes in net position is comprised of other 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. Revenue recognized for TEDCO Operations for the years ended June 30, 2023 and 2022 totaled \$15,128,125 and \$10,202,738, respectively.

Other revenues on the consolidated statement of revenues, expenses and changes in net position for the year ended June 30, 2023 is comprised of approximately \$226,000 of contributions from various universities participating in the MII program; approximately \$1,470,000 of prior year awards that were rescinded for various reasons and able to be used for future awards; and approximately \$590,000 for various income items relating to event income and various repayments.

Other revenues on the consolidated statement of revenues, expenses and changes in net position for the year ended June 30, 2022 is comprised of approximately \$234,000 of contributions from various universities participating in the MII program; approximately \$637,000 of prior year awards that were rescinded for various reasons and able to be used for future awards; and approximately \$17,000 for various income items relating to event income and various repayments.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements 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.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Recently Adopted Accounting Principles

Effective July 1, 2021, TEDCO adopted GASB Statement No. 87, *Leases*, which modifies the guidance for lease accounting. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, with the exception of leases with an original term of 12 months or less, thereby enhancing the relevance and consistency of information about governments' leasing activities. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. TEDCO used the retrospective approach to adopt this guidance, which required a restatement for all prior periods presented.

As a result of the adoption of GASB Statement No. 87, TEDCO recognized a lease liability of \$1,824,683, which represents the present value of remaining lease payments, and a right-of-use-asset of \$1,554,234 as of July 1, 2020. The right-of-use-asset is measured at an amount equal to the lease liability, plus any payments made to the lessor at or before the commencement of the lease term.

Effective July 1, 2022, TEDCO adopted GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94), which improves financial reporting by addressing issues related to public-private and public-public partnerships (PPPs) and provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An operator, as defined by GASB 94 should report an intangible right-to-use asset related to an underlying PPP asset that is either owned by the transferor, as defined by GASB 94, at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an service concession arrangement (SCA), an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term. This statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate. There was no effect on operating income, or net position as a result of the adoption of GASB 94.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND
Notes to the Consolidated Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Recently Adopted Accounting Principles - continued

Effective July 1, 2022, TEDCO adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), which modifies the guidance for subscription-based information technology arrangements (SBITA's) accounting. Under this statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. GASB 96 requires the retrospective approach to adopt this guidance, which requires a restatement for all prior periods presented. As a result of the adoption of GASB Statement No. 96, TEDCO recognized a subscription liability of \$488,620, which represents the present value of remaining subscription payments, and a subscription asset, net, of \$488,620 as of July 1, 2021. The subscription asset is measured at an amount equal to the subscription liability, plus any payments made at or before the commencement of the subscription term (Note 2).

Transfer to the State of Maryland

The State of Maryland law requires TEDCO to transfer the distributions received from its venture capital investments in early-stage technology to the State of Maryland. Distributions received from venture capital investments totaled \$4,792,802 and \$12,598,018 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, distributions received from venture capital investments but not yet transferred to the State of Maryland totaled \$4,792,803 and \$3,570,255, respectively.

Reclassification

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to current year presentation. These reclassifications had no impact on 2022 consolidated net income or net position.

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2. RESTATEMENT

As described in the Emphasis of Matter note in the opinion, the accompanying consolidated financial statements as of and for the year ended June 30, 2022 have been restated to recognize the impact of GASB Statement No. 96. The effects of the restatement as of and for the year ended June 30, 2022 are as follows:

Financial Statement Line Item	As of June 30, 2022		
	As Previously Reported	Effect of Restatement	As Restated
Subscription assets, net	\$ -	\$ 398,819	\$ 398,819
Subscription liabilities, current	-	191,610	191,610
Subscription liabilities, non-current	-	244,248	244,248
Accrued interest	69,952	1,704	71,656
Operating expenses	22,683,394	38,743	22,722,137
Net position, end of year	118,326,013	(38,743)	118,287,270

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	2023	2022
Deposits with Financial Institutions	\$ 57,113,896	\$ 44,367,857
Restricted Cash	1,188,503	1,454,532
Money Market Funds	4,851,567	4,292,512
Total	\$ 63,153,966	\$ 50,114,901

Investments consisted of the following as of June 30,:

	2023	Percent	2022	Percent
U.S. Government Securities	\$ 2,011,720	3%	\$ 2,426,322	3%
Equity Securities	69,681,983	97%	68,476,514	97%
Total	\$ 71,693,703	100%	\$ 70,902,836	100%

Market Risk

TEDCO holds equity securities of companies in connection with its Maryland Technology Incubator Program and MVF 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.

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3. CASH AND CASH EQUIVALENTS AND INVESTMENTS – continued

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.

As of June 30, 2023, TEDCO’s bank balances were \$58,302,399. Of the bank balances, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$58,052,399 was covered by collateral held in the pledging bank’s trust department in TEDCO’s name.

As of June 30, 2022, TEDCO’s bank balances were \$45,822,389. Of the bank balances, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$45,572,389 was covered by collateral held in the pledging bank’s trust department in TEDCO’s name.

TEDCO is required by Section 17-101(d) of the Local Government Article of the Annotated Code of Maryland to collateralize deposits in banks in excess of federal deposit insurance. Satisfactory collateral is enumerated at Section 6-202 of the State Finance and Procurement Article of the Code. As of June 30, 2023 and 2022, bank deposits were properly collateralized.

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.

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.

As of June 30, 2023, securities with stated maturities mature according to the following segmented time distribution:

Investment Type	Fair Value	Less than 1	1-5	6-10
U.S. Government Securities	\$ 2,011,720	\$ 222,855	\$ 1,788,865	\$ -
Total	\$ 2,011,720	\$ 222,855	\$ 1,788,865	\$ -

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3. CASH AND CASH EQUIVALENTS AND INVESTMENTS – continued

As of June 30, 2022, securities with stated maturities mature according to the following segmented time distribution:

Investment Type	Fair Value	Less than 1	1-5	6-10
U.S. Government Securities	\$ 2,426,322	\$ 224,437	\$ 2,201,885	\$ -
Total	<u>\$ 2,426,322</u>	<u>\$ 224,437</u>	<u>\$ 2,201,885</u>	<u>\$ -</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.

As of June 30, 2023, TEDCO’s agency securities are rated as AAA under Moody’s and AA+ under S&P. All other investments held are unrated.

4. 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 as of the reporting date;
- Level 2: Valuations based on pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies;

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4. FAIR VALUE MEASUREMENTS – continued

Level 3: Valuations based on pricing inputs that are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgement or estimation.

As a practical expedient, investments in privately held venture capital partnerships ordinarily are valued at fair value based on TEDCO's proportionate share of the funds' net asset value, which represents a market approach. TEDCO's valuation procedures require TEDCO to consider all relevant information at the time TEDCO values its investments. TEDCO has assessed factors including, but not limited to, price transparency and valuation procedures in place, and the level of illiquid investments held. TEDCO will consider such information and consider whether it is appropriate, in light of all relevant circumstances, to value such a position at its net asset value as reported or whether to adjust such value.

The following table sets forth by level, within the fair value hierarchy, TEDCO's investments at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Investments Measured at Net Asset Value ⁽¹⁾	Total
Investments by fair value level					
U.S. government securities	\$ 2,011,720	\$ -	\$ -	\$ -	\$ 2,011,720
Equity investments in privately-held companies	-	-	43,661,742	-	43,661,742
Equity investments in venture capital partnerships	-	-	-	26,020,241	26,020,241
Total investments by fair value level	\$ 2,011,720	\$ -	\$ 43,661,742	\$ 26,020,241	\$ 71,693,703

The following table sets forth by level, within the fair value hierarchy, TEDCO's investments at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Investments Measured at Net Asset Value ⁽¹⁾	Total
Investments by fair value level					
U.S. government securities	\$ 2,426,322	\$ -	\$ -	\$ -	\$ 2,426,322
Equity investments in privately-held companies	-	-	31,929,677	-	31,929,677
Equity investments in venture capital partnerships	-	-	-	36,546,837	36,546,837
Total investments by fair value level	\$ 2,426,322	\$ -	\$ 31,929,677	\$ 36,546,837	\$ 70,902,836

(1) These investments are presented for reconciliation purposes and are not required to be categorized in the fair value hierarchy since they are measured at net asset value, without adjustment, as permitted by the practical expedient.

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4. FAIR VALUE MEASUREMENTS – continued

Investments of TEDCO are included in the consolidated statements of net position at fair value as determined by management. U.S. government and agency securities, 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 privately-held companies, 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. Fair values of investments in venture capital partnerships are determined using the net asset value practical expedient.

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,:

	<u>2023</u>	<u>2022</u>
Balance, Beginning of Year	\$ 31,929,677	\$ 27,607,641
Transfer/Conversion	2,000,000	650,000
Realized Gains	2,067,794	199,538
Unrealized Gains (Losses) Relating to Instruments		
Held at the Reporting Date	(284,058)	6,000,697
Purchases, Sales, Issuances, and Settlements, Net	<u>7,948,329</u>	<u>(2,528,199)</u>
Balance, End of Year	<u>\$ 43,661,742</u>	<u>\$ 31,929,677</u>

5. NOTES RECEIVABLE

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. As of June 30, 2023 and 2022, the principal balance was \$3,234 and \$9,234, respectively.

In January 2023, TEDCO obtained a note receivable due from Radiopharmaceutical Imaging and Dosimetry, LLC (Rapid Dosimetry). The note required an initial installment payment of \$15,715 and then requires quarterly payments based on the lesser of 10% of Rapid Dosimetry’s quarterly revenue or the principal balance of the note as of the end of the quarter. The full principal amount is due on January 21, 2025, the note carries no interest until the maturity date at which 10% interest per annum will be added to the unpaid principal balance as of the maturity date. As of June 30, 2023, the principal balance was \$192,760.

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 accrue interest at rates ranging from 3% to 8% and have maturity dates ranging from 18 months to 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. As of June 30, 2023 and 2022, the total balance outstanding on these convertible promissory notes was \$37,897,632 and \$22,371,925, which included accrued interest of \$3,625,707 and \$2,162,004, respectively.

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5. NOTES RECEIVABLE – continued

During the year ended June 30, 2016, as part of the MVF program, TEDCO began obtaining convertible promissory notes in exchange for TEDCO’s agreement to invest in various early-stage technology and life science companies. The convertible promissory notes accrue interest at 8% and have maturity dates ranging from 18 months to 5 years after the date of the note. 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. As of June 30, 2023 and 2022, the total balance outstanding on these convertible promissory notes was \$5,528,909 and \$4,435,945, which included accrued interest of \$542,964 and \$228,156, respectively.

Notes receivable are summarized as follows as of June 30,:

	2023	2022
Convertible Promissory Notes Principal Advanced	\$ 39,257,870	\$ 26,807,870
Convertible Promissory Notes Interest Accrued	4,168,671	2,390,160
Allowance for Uncollectible Balances	(14,945,088)	(14,076,608)
Total Convertible Promissory Notes	28,481,453	15,121,422
Other Notes Receivable	195,994	9,234
Total Notes Receivable	\$ 28,677,447	\$ 15,130,656
Notes Receivable - Current	\$ 1,589,742	\$ 831,359
Notes Receivable - Noncurrent	27,087,705	14,299,297
Total	\$ 28,677,447	\$ 15,130,656

The increase for uncollectible balances on notes receivable of \$1,154,425 incurred during the year ended June 30, 2023 can be strictly attributable to TEDCO notes. During the year ended June 30, 2022, the increase for uncollectible balances on notes receivable of \$590,619 comprises the increase in the allowance for uncollectible balances of \$1,014,619 for TEDCO and the decrease in the allowance for uncollectible balances of \$424,000 on notes receivable under the MVF Program.

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6. RIGHT-OF-USE ASSETS

Right-of-use assets activity for the years ended June 30, 2023 and 2022 is summarized as follows:

	Balance, July 1, 2022	Additions	Retirements	Balance, June 30, 2023
Right-of-use assets	\$ 1,554,234	\$ -	\$ (1,554,234)	\$ -
Less: accumulated amortization	(548,553)	(137,138)	685,691	-
Net right-of-use assets	<u>\$ 1,005,681</u>	<u>\$ (137,138)</u>	<u>\$ (868,543)</u>	<u>\$ -</u>

	Balance, July 1, 2021	Additions	Retirements	Balance, June 30, 2022
Right-of-use assets	\$ 1,554,234	\$ -	\$ -	\$ 1,554,234
Less: accumulated amortization	(274,277)	(274,276)	-	(548,553)
Net right-of-use assets	<u>\$ 1,279,957</u>	<u>\$ (274,276)</u>	<u>\$ -</u>	<u>\$ 1,005,681</u>

Amortization expense for the years ended June 30, 2023 and 2022 was \$137,138 and \$274,276, respectively. This amount is included in general administration under operating expenses on the consolidated statements of revenues, expenses, and changes in net position.

7. SUBSCRIPTION ASSETS

The following table presents the total subscription assets and accumulated amortization as of June 30, 2023 and 2022, respectively:

	Balance, July 1, 2022	Additions	Retirements	Balance, June 30, 2023
Subscription assets	\$ 578,199	\$ 421,417	\$ -	\$ 999,616
Less: Accumulated amortization	(179,380)	(252,828)	-	(432,208)
Net Subscription Assets	<u>\$ 398,819</u>	<u>\$ 168,589</u>	<u>\$ -</u>	<u>\$ 567,408</u>

	Balance, July 1, 2021	Additions	Retirements	Balance, June 30, 2022
Subscription assets	\$ 488,620	\$ 89,579	\$ -	\$ 578,199
Less: Accumulated amortization	-	(179,380)	-	(179,380)
Net Subscription Assets	<u>\$ 488,620</u>	<u>\$ (89,801)</u>	<u>\$ -</u>	<u>\$ 398,819</u>

Amortization expense for the years ended June 30, 2023 and 2022 was \$252,828 and \$179,380, respectively. This amount is included in general administration under operating expenses on the consolidated statements of revenues, expenses, and changes in net position.

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8. CAPITAL ASSETS

Changes in the components of capital assets are summarized as follows for the years ended June 30, 2023 and 2022:

	Balance, July 1, 2022	Additions	Deletions	Balance, June 30, 2023
Computer equipment	\$ 83,574	\$ 43,845	\$ (32,489)	\$ 94,930
Office furniture	210,142	-	(210,142)	-
Leasehold improvements	7,697	-	(7,697)	-
	<u>301,413</u>	<u>43,845</u>	<u>(250,328)</u>	<u>94,930</u>
Accumulated depreciation and amortization:				
Computer equipment	62,139	16,680	(32,489)	46,330
Office furniture	210,142	-	(210,142)	-
Leasehold improvements	4,873	577	(5,450)	-
	<u>277,154</u>	<u>17,257</u>	<u>(248,081)</u>	<u>46,330</u>
Capital assets, net	<u>\$ 24,259</u>	<u>\$ 26,588</u>	<u>\$ (2,247)</u>	<u>\$ 48,600</u>
	Balance, July 1, 2021	Additions	Deletions	Balance, June 30, 2022
Computer equipment	\$ 66,263	\$ 17,311	\$ -	\$ 83,574
Office furniture	210,142	-	-	210,142
Leasehold improvements	7,697	-	-	7,697
	<u>284,102</u>	<u>17,311</u>	<u>-</u>	<u>301,413</u>
Accumulated depreciation and amortization:				
Computer equipment	55,209	6,930	-	62,139
Office furniture	210,142	-	-	210,142
Leasehold improvements	4,103	770	-	4,873
	<u>269,454</u>	<u>7,700</u>	<u>-</u>	<u>277,154</u>
Capital assets, net	<u>\$ 14,648</u>	<u>\$ 9,611</u>	<u>\$ -</u>	<u>\$ 24,259</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$17,257 and \$7,700, respectively. This amount is included in general administration under operating expenses on the consolidated statements of revenues, expenses, and changes in net position.

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9. 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, 2023 and 2022, TEDCO made an 8% contribution of each employee’s base compensation. Contract employees do not contribute to the Plan.

Contribution expense for TEDCO was \$287,154 and \$237,440 for the years ended June 30, 2023 and 2022, respectively, which is allocated among programs and general administration expenses in the consolidated statements of revenues, expenses, and changes in net position.

10. COMMITMENTS AND CONTINGENCIES

Office Space Lease

TEDCO had a 10-year lease agreement for an office space, which was set to expire on February 28, 2026. The lease initially required monthly 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. During the year ended June 30, 2022, TEDCO implemented GASB Statement No. 87, which requires both capital and operating leases to be presented on the statement of net position as an amortizable right-of-use asset and a liability to make lease payments. The right-of-use-asset represents TEDCO’s right to use an underlying asset for the lease term and lease liabilities represent TEDCO’s obligation to make lease payments per the lease agreement. The lease liability is measured at the present value of payments expected to be made during the lease term, including variable payments that depend on an index or a rate (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs and is amortized over the lease term. The lease liability is measured by using TEDCO’s estimated incremental borrowing rate of 5.00%, in determining the present value of the lease payments. The amortization of the discount on the lease liability is reported as interest expense each period. TEDCO also considered any lease terms that included options to extend or terminate the lease, residual value guarantees, restrictive covenants and lease incentives when valuing the right-of-use assets.

During the year ended June 30, 2023, TEDCO elected to terminate their lease from their old office and move into a new office space temporarily. Therefore, the right-of-use assets and lease liability were removed from of the books during the year ended June 30, 2023. The lease termination resulted in a gain on termination of lease of \$180,758 which is included in other revenues on the consolidated statement of changes in net position for the year ended June 30, 2023. As the new office lease is under twelve months, it was not required to be included on the consolidated statements of net position and the costs are expensed as incurred.

Lease payments due totaled \$389,966 and \$286,504 for the years ended June 30, 2023 and 2022, respectively.

Interest expense on the lease liability totaled \$68,498 and \$69,952 for the years ended June 30, 2023 and 2022, respectively, and is recorded in interest expense on the accompanying consolidated statements revenues, expenses and changes in net position. Accrued interest totaled \$0 and \$69,952 as of June 30, 2023 and 2022, respectively, and is recorded in current liabilities on the accompanying consolidated statements of net position.

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10. COMMITMENTS AND CONTINGENCIES – continued

Subscription Based Arrangements

TEDCO has several subscription based information technology agreements with various vendors as follows:

Agreement	Description	Begin Date	End Date	Initial Subscription Asset
Cinergy	Licenses for Gatekeeper NetSuite Module	09/15/2021	09/14/2026	\$ 71,152
Global Data	Subscription for Medical and Pharma Intelligence	07/01/2021	06/30/2024	209,393
Jungle Laser	Software License	10/01/2021	09/30/2024	18,428
Oracle	Licenses for NetSuite Software and Cloud Services	10/20/2022	10/19/2027	223,054
Payscale	Subscription to Insight Lab Core	07/01/2021	06/30/2024	19,324
Pitchbook	Pitchbook Platform	07/01/2021	09/30/2024	168,480
Salesforce	Sales Cloud, Lightning Platform Starter	07/01/2021	01/31/2024	91,422
Streamlink	AmpliFund Software Subscription	12/01/2022	11/30/2025	88,392
Workday	Adaptive Planning Base	09/30/2022	09/29/2026	109,971

During the year ended June 30, 2023, TEDCO implemented GASB Statement No. 96, which requires all subscription based information technology arrangements to be presented on the statement of net position as an amortizable subscription asset and a liability to make payments. The subscription assets represent TEDCO's right to use underlying assets for the subscription term and subscription liabilities represent TEDCO's obligation to make subscription payments per the subscription agreement. The subscription liabilities are measured at the present value of payments expected to be made during the subscription terms, including variable payments that depend on an index or a rate. The subscription assets are measured at the amount of the initial measurement of the subscription liabilities, plus any payments made to the vendor at or before the commencement of the subscription term. The subscription liabilities are measured by using TEDCO's estimated incremental borrowing rate of 5.00%, in determining the present value of the subscription payments. The amortization of the discount on the subscription liability is reported as interest expense each period.

Subscription payments totaled \$277,092 and \$197,017 for the years ended June 30, 2023 and 2022, respectively.

Interest expense on the subscription liabilities totaled \$24,274 and \$17,637 for the years ended June 30, 2023 and 2022, respectively, and is recorded in interest expense on the accompanying consolidated statements of revenues, expenses and changes in net position.

The weighted average remaining subscription term is 2.8 years as of June 30, 2023. The weighted average discount rate of the subscriptions is 5.0% as of June 30, 2023.

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10. COMMITMENTS AND CONTINGENCIES – continued

Subscription Based Arrangements – continued

The following table presents future minimum subscription payments as of June 30, 2023:

Year Ending June 30,	Total	Principal	Interest
2024	\$ 315,132	\$ 292,703	\$ 22,429
2025	139,068	127,496	11,572
2026	106,528	100,504	6,024
2027	58,023	56,032	1,991
2028	12,575	12,471	104
Total	\$ 631,326	\$ 589,206	\$ 42,120

11. 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 consolidated financial statements.

12. 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 investments in 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 fee 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 MIOF 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. For the years ending June 30, 2023 and 2022, no losses have been incurred.

13. 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, 2023 and 2022, 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.

SUPPLEMENTARY INFORMATION

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
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Consolidating Schedule of Net Position
As of June 30, 2023

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 38,428,888	\$ 23,536,575	\$ -	\$ 61,965,463
Investments	2,011,720	-	-	2,011,720
Accounts receivable	256,930	20,498	-	277,428
Loan receivable	25,000	-	-	25,000
Current portion of notes receivable, net of allowance of \$2,578,929	1,046,778	542,964	-	1,589,742
Prepaid expenses and other current assets	71,734	17,500	-	89,234
Due from Maryland Venture Fund	373,544	-	(373,544)	-
Total Current Assets	42,214,594	24,117,537	(373,544)	65,958,587
Non-current Assets:				
Restricted cash	-	1,188,503	-	1,188,503
Investments	21,631,528	48,050,455	-	69,681,983
Loan receivable – noncurrent	800,000	-	-	800,000
Notes receivable – noncurrent, net of allowance of \$12,366,159	22,387,705	4,700,000	-	27,087,705
Deposits	26,340	-	-	26,340
Subscription assets, net of accumulated amortization of \$432,208	567,408	-	-	567,408
Capital assets, net of accumulated depreciation and amortization of \$46,330	48,600	-	-	48,600
Total Noncurrent Assets	45,461,581	53,938,958	-	99,400,539
Total Assets	\$ 87,676,175	\$ 78,056,495	\$ (373,544)	\$ 165,359,126
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 3,743,571	\$ 12,908	\$ -	\$ 3,756,479
Accrued interest	1,503	-	-	1,503
Stem cell grants payable	19,992,817	-	-	19,992,817
Other grants payable	2,060,495	-	-	2,060,495
Due to State of Maryland	-	4,792,803	-	4,792,803
Due to TEDCO	-	373,544	(373,544)	-
Subscription liabilities, current portion	292,703	-	-	292,703
Unearned grant revenue	4,107,835	-	-	4,107,835
Total Current Liabilities	30,198,924	5,179,255	(373,544)	35,004,635
Non-current Liabilities:				
Subscription liabilities, net of current portion	296,503	-	-	296,503
Total Liabilities	30,495,427	5,179,255	(373,544)	35,301,138
Net Position:				
Net investment in capital assets	25,299	-	-	25,299
Unrestricted	57,155,449	72,877,240	-	130,032,689
Total Net Position	57,180,748	72,877,240	-	130,057,988
Total Liabilities and Net Position	\$ 87,676,175	\$ 78,056,495	\$ (373,544)	\$ 165,359,126

See accompanying independent auditors' report.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

Consolidating Schedule of Net Position
As of June 30, 2022

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 18,846,732	\$ 29,813,637	\$ -	\$ 48,660,369
Investments	2,426,322	-	-	2,426,322
Accounts receivable	506,321	54,645	-	560,966
Loan receivable	25,000	-	-	25,000
Current portion of notes receivable, net of allowance of \$1,558,801	603,203	228,156	-	831,359
Prepaid expenses and other current assets	104,965	8,660	-	113,625
Due from Maryland Venture Fund	319,113	-	(319,113)	-
Total Current Assets	22,831,656	30,105,098	(319,113)	52,617,641
Non-current Assets:				
Restricted cash	-	1,454,532	-	1,454,532
Investments	11,750,478	56,726,036	-	68,476,514
Loan receivable – non-current	825,000	-	-	825,000
Notes receivable – non-current, net of allowance of \$12,231,862	10,149,297	4,150,000	-	14,299,297
Deposits	49,476	-	-	49,476
Subscription assets, net of accumulated amortization of \$179,380 (as restated)	398,819	-	-	398,819
Right-of-use assets, net of accumulated amortization of \$548,533	1,005,681	-	-	1,005,681
Capital assets, net of accumulated depreciation of \$277,154	24,259	-	-	24,259
Total Non-current Assets	24,203,010	62,330,568	-	86,533,578
Total Assets	\$ 47,034,666	\$ 92,435,666	\$ (319,113)	\$ 139,151,219
Liabilities and Net Position				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,263,194	\$ -	\$ -	\$ 2,263,194
Accrued interest (as restated)	71,656	-	-	71,656
Stem cell grants payable	9,363,642	-	-	9,363,642
Other grants payable	2,630,587	-	-	2,630,587
Due to State of Maryland	-	3,570,255	-	3,570,255
Due to TEDCO	-	319,113	(319,113)	-
Subscription liabilities (as restated), current portion	191,610	-	-	191,610
Lease liability, current portion	310,311	-	-	310,311
Unearned grant revenue	1,262,217	-	-	1,262,217
Total Current Liabilities (as restated)	16,093,217	3,889,368	(319,113)	19,663,472
Non-current Liabilities:				
Subscription liabilities (as restated), net of current portion	244,248	-	-	244,248
Lease liability, net of current portion	956,229	-	-	956,229
Total Non-current Liabilities (as restated)	1,200,477	-	-	1,200,477
Total Liabilities (as restated)	17,293,694	3,889,368	(319,113)	20,863,949
Net Position:				
Net investment in capital assets	-	-	-	-
Unrestricted	29,740,972	88,546,298	-	118,287,270
Total Net Position (as restated)	29,740,972	88,546,298	-	118,287,270
Total Liabilities and Net Position (as restated)	\$ 47,034,666	\$ 92,435,666	\$ (319,113)	\$ 139,151,219

See accompanying independent auditors' report.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

**Consolidating Schedule of Revenues, Expenses, and
Changes in Net Position
For the Year Ended June 30, 2023**

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Eliminations Total
Operating Revenues:				
State of Maryland grants:				
Maryland Stem Cell Research	\$ 19,193,541	\$ -	\$ -	\$ 19,193,541
State Small Business Credit Initiative	11,081,043	-	-	11,081,043
Maryland Innovation Initiative	6,670,498	-	-	6,670,498
TEDCO operations	15,128,125	-	-	15,128,125
Total State of Maryland grants	52,073,207	-	-	52,073,207
Federal grants	206,109	-	-	206,109
Sponsorships	2,295	-	-	2,295
Royalties	345,137	-	-	345,137
Other revenues	2,283,116	-	-	2,283,116
Total Operating Revenues	54,909,864	-	-	54,909,864
Operating Expenses				
Stem Cell Program	19,185,466	-	-	19,185,466
Tech Transfer	6,542,989	-	-	6,542,989
Business Incubation	3,384,173	-	-	3,384,173
Maryland Venture Fund	-	2,232,082	-	2,232,082
General Administration	4,656,806	-	-	4,656,806
Total Operating Expenses	33,769,434	2,232,082	-	36,001,516
Operating Income (Loss)	21,140,430	(2,232,082)	-	18,908,348
Non-operating Revenues (Losses)				
Investment Earnings (Losses)	6,299,346	(8,644,174)	-	(2,344,828)
Transfer to State of Maryland	-	(4,792,802)	-	(4,792,802)
Change in Net Position	27,439,776	(15,669,058)	-	11,770,718
Net Position, beginning of year	29,740,972	88,546,298	-	118,287,270
Net Position, end of year	\$ 57,180,748	\$ 72,877,240	\$ -	\$ 130,057,988

See accompanying independent auditors' report.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

**Consolidating Schedule of Revenues, Expenses, and
Changes in Net Position
For the Year Ended June 30, 2022**

	Maryland Technology Development Corporation	Maryland Venture Fund	Eliminations	Consolidated Eliminations Total
Operating Revenues:				
State of Maryland grants:				
Maryland Stem Cell Research	\$ 9,077,608	\$ -	\$ -	\$ 9,077,608
Maryland Innovation Initiative	5,161,602	-	-	5,161,602
TEDCO operations	10,202,738	-	-	10,202,738
Total State of Maryland grants	24,441,948	-	-	24,441,948
Federal grants	146,525	-	-	146,525
Sponsorships	9,000	-	-	9,000
Royalties	396,930	-	-	396,930
Other revenues	888,691	20,500	-	909,191
Total Operating Revenues	25,883,094	20,500	-	25,903,594
Operating Expenses				
Stem Cell Program	9,077,608	-	-	9,077,608
Tech Transfer	7,131,495	-	-	7,131,495
Business Incubation	2,576,167	-	-	2,576,167
Maryland Venture Fund	-	1,188,406	-	1,188,406
General Administration (as restated)	2,748,461	-	-	2,748,461
Total Operating Expenses (as restated)	21,533,731	1,188,406	-	22,722,137
Operating Income (Loss)	4,349,363	(1,167,906)	-	3,181,457
Non-operating Revenues				
Investment Earnings	2,507,313	8,341,100	-	10,848,413
Transfer to State of Maryland	-	(14,803,305)	-	(14,803,305)
Change in Net Position (as restated)	6,856,676	(7,630,111)	-	(773,435)
Net Position, beginning of year	22,884,296	96,176,409	-	119,060,705
Net Position, end of year (as restated)	\$ 29,740,972	\$ 88,546,298	\$ -	\$ 118,287,270

See accompanying independent auditors' report.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

Schedule of Governmental Activities
For the Year Ended June 30, 2023

Functions	Program Revenues			Net Revenues (Expenses) and Change in Net Position
Functions	Expenses	Operating Grants	Sponsorships and Royalties	Position
Stem Cell Program	\$ 19,185,466	\$ 19,193,541	\$ -	\$ 8,075
Tech Transfer	6,542,989	6,820,151	345,137	622,299
Business Incubation	3,384,173	23,845,236	-	20,461,063
Maryland Venture Fund	2,232,082	-	-	(2,232,082)
General Administration	4,656,806	2,420,388	2,295	(2,234,123)
Total	\$ 36,001,516	\$ 52,279,316	\$ 347,432	\$ 16,625,232
General Revenues				
				2,283,116
				(2,344,828)
				(61,712)
				(4,792,802)
				11,770,718
				118,287,270
				\$ 130,057,988

See accompanying independent auditors' report.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A COMPONENT UNIT OF THE STATE OF MARYLAND

Schedule of Governmental Activities
For the Year Ended June 30, 2022

Functions	Program Revenues			Net Revenues (Expenses) and Change in Net Position
Functions	Expenses	Operating Grants	Sponsorships and Royalties	Position
Stem Cell Program	\$ 9,077,608	\$ 9,077,608	\$ -	\$ -
Tech Transfer	7,131,495	10,580,830	396,930	3,846,265
Business Incubation	2,576,167	3,621,157	-	1,044,990
Maryland Venture Fund	1,188,406	-	-	(1,188,406)
General Administration	2,748,461	1,308,878	9,000	(1,430,583)
Total	\$ 22,722,137	\$ 24,588,473	\$ 405,930	\$ 2,272,266
General Revenues				
				909,191
				10,848,413
				11,757,604
				(14,803,305)
				(773,435)
				119,060,705
				\$ 118,287,270

See accompanying independent auditors' report.