



January 30, 2017

Mr. Daniel Timberlake
Director
Department of Planning and Budget
1111 East Broad Street, Room 5040
Richmond, Virginia 23219-3418

Dear Mr. Timberlake:

Enclosed please find the second Quarterly Report for FY2017 for the Center for Innovative Technology. The attached report fulfills the requirements of the Code of Virginia, §2.2-2221.1.C.1-3 (includes reporting requirements of Item 428.D.2 of the 2016 Appropriations Act).

Please feel free to call me at 703-689-3021 if you have any questions.

Sincerely

Susan Aitcheson
CFO
Center for Innovative Technology

cc: Mr. Brian Logwood, Associate Director, Department of Planning and Budget
Mr. John Crooks, Budget and Policy Analyst, Department of Planning and Budget



January 30, 2017

The Honorable S. Chris Jones
Chairman, House Appropriations Committee
General Assembly Building
P.O. Box 406, Room 948
Richmond, Virginia 23218

Dear Chairman Jones:

Enclosed please find the second Quarterly Report for FY2017 for the Center for Innovative Technology. The attached report fulfills the requirements of the Code of Virginia, §2.2-2221.1.C.1-3 (includes reporting requirements of Item 428.D.2 of the 2016 Appropriations Act).

Please feel free to call me at 703-689-3021 if you have any questions.

Sincerely

Susan Aitcheson
CFO
Center for Innovative Technology

cc: Mr. Robert P. Vaughn, Staff Director, House Appropriations Committee



CIT
CENTER FOR INNOVATIVE TECHNOLOGY

January 30, 2017

The Honorable Thomas K. Norment, Jr.
Co-Chairman, Senate Finance Committee
Senate of Virginia
P.O. Box 396, Room 626
Richmond, Virginia 23218

Dear Chairman Norment:

Enclosed please find the second Quarterly Report for FY2017 for the Center for Innovative Technology. The attached report fulfills the requirements of the Code of Virginia, §2.2-2221.1.C.1-3 (includes reporting requirements of Item 428.D.2 of the 2016 Appropriations Act).

Please feel free to call me at 703-689-3021 if you have any questions.

Sincerely

Susan Aitcheson
CFO
Center for Innovative Technology

cc: Ms. Betsey Daley, Staff Director, Senate Finance Committee



CIT
CENTER FOR INNOVATIVE TECHNOLOGY

January 30, 2017

The Honorable Emmett W. Hanger, Jr.
Co-Chairman, Senate Finance Committee
Senate of Virginia
P.O. Box 396, Room 326
Richmond, Virginia 23218

Dear Chairman Hanger:

Enclosed please find the second Quarterly Report for FY2017 for the Center for Innovative Technology. The attached report fulfills the requirements of the Code of Virginia, §2.2-2221.1.C.1-3 (includes reporting requirements of Item 428.D.2 of the 2016 Appropriations Act).

Please feel free to call me at 703-689-3021 if you have any questions.

Sincerely

Susan Aitcheson
CFO
Center for Innovative Technology

cc: Ms. Betsey Daley, Staff Director, Senate Finance Committee



January 30, 2017

The Honorable Karen R. Jackson
Secretary of Technology
Patrick Henry Building
1111 East Broad Street, 4th Floor
Richmond, Virginia 23219

Dear Secretary Jackson:

Enclosed please find the second Quarterly Report for FY2017 for the Center for Innovative Technology. The attached report fulfills the requirements of the Code of Virginia, §2.2-2221.1.C.1-3 (includes reporting requirements of Item 428.D.2 of the 2016 Appropriations Act).

Please feel free to call me at 703-689-3021 if you have any questions.

Sincerely

Susan Aitcheson
CFO
Center for Innovative Technology

cc: Mr. Michael Steed, CIT Chairman of the Board
Mr. Bernard Mustafa, CIT BOB Finance Committee Chair

Item 428.D.2.a

Fiscal Year 2017 Quarter 2
December 31, 2016

Financial Performance

Center for Innovative Technology
FY2017 Forecast as of 12/31/2016

	Operating Funds			Designated Funds										Federal				Total
	COV		Other	COV							Federal			Other				
	Discretionary	Grants & Contracts	Other M37 Sponsor	BB Fund	IEMS Fund	Cyber Sec Fund	Comm Fund	MACH37 Fund	CRCF Fund (In Thousands)	ISAO Fund	UAS and COE Fund	GAP Fund	SSBCI Fund	DMME Fund	M37 Equity Pool	M37 Carried Interest		
Beginning Balance at 7/1/2016	\$ -	\$ -	\$ -	\$ 140	\$ 13	\$ 55	\$ 593	\$ -	\$ -	\$ -	\$ 179	\$ 4,068	\$ -	\$ 378	\$ 1,548	\$ -	\$ 6,974	
REVENUE																		
Appropriation	\$ 2,974			\$ 500	\$ 50	\$ -	\$ 500	\$ 500	\$ 3,258	\$ 250	\$ 850	\$ 2,876	\$ -				\$ 11,758	
Interest, Donation, Return on Investment	\$ 19		\$ 905								\$ 18	\$ 9					\$ 951	
Gain on M37 related transfer																\$ 245	\$ 245	
Contracts & Grants		\$ 1,384										\$ 232	\$ 44				\$ 1,660	
Total Revenue	\$ 2,993	\$ 1,384	\$ 905	\$ 500	\$ 50	\$ -	\$ 500	\$ 500	\$ 3,258	\$ 250	\$ 850	\$ 2,894	\$ 241	\$ 44	\$ -	\$ 245	\$ 14,614	
EXPENSES																		
Operating Programs Net of Overapplied Indirects	\$ 671		\$ 905														\$ 1,576	
Designated Programs	\$ 2,317			\$ 540	\$ 46	\$ 55	\$ 775	\$ 500	\$ 3,258	\$ 250	\$ 573	\$ 4,043					\$ 12,357	
Contracts & Grants		\$ 1,363										\$ 242	\$ 328				\$ 1,933	
Total Expenses	\$ 2,988	\$ 1,363	\$ 905	\$ 540	\$ 46	\$ 55	\$ 775	\$ 500	\$ 3,258	\$ 250	\$ 573	\$ 4,043	\$ 242	\$ 328	\$ -	\$ -	\$ 15,866	
Fund Net Income	\$ 5	\$ 21	\$ -	\$ (40)	\$ 4	\$ (55)	\$ (275)	\$ -	\$ -	\$ -	\$ 277	\$ (1,149)	\$ (1)	\$ (284)	\$ -	\$ 245	\$ (1,252)	
Other Factors																		
Distribution from M37 Equity Pool, LLC	\$ -											\$ 19			\$ (19)		\$ -	
Transfer from GAP												\$ (1)	\$ 1				\$ -	
Forecasted Ending Balance at 6/30/2017	\$ 5	\$ 21	\$ -	\$ 100	\$ 17	\$ -	\$ 318	\$ -	\$ -	\$ -	\$ 456	\$ 2,937	\$ -	\$ 94	\$ 1,529	\$ 245	\$ 5,722	
	0.09%	0.37%	0.00%	1.75%	0.30%	0.00%	5.56%	0.00%	0.00%	0.00%	7.97%	51.33%	0.00%	1.64%	26.72%	4.28%	100.00%	

Legend:

- BB Fund = Broadband Program Fund
- IEMS Fund = Innovation and Entrepreneurship Measurement System Fund
- Cyber Sec Fund = Cyber Security Fund
- Comm Fund = Cyber Security Commission Fund
- MACH37 Fund = MACH37 Cyber Accelerator Fund
- CRCF = Commonwealth Research Commercialization Fund
- ISAO Fund = Information Sharing and Analysis Organization
- UAS and COE Fund = Unmanned Systems and Unmanned Center of Excellence Fund
- GAP Fund = Growth Accelerator Program Fund
- SSBCI Fund = State Small Business Credit Initiative Fund
- DMME Fund = Department of Mines Minerals & Energy Program Fund

Designated Funds are amounts which are to be spent on a specific purpose stated in the Appropriation Act, or, in the case of the DMME Fund, advances and investment return proceeds received on a federal grant.

CENTER FOR INNOVATIVE TECHNOLOGY
BUDGET ANALYSIS
 For Six Months Ended December 31, 2016

In thousands			Operations Funded by VA Appropriation & Other Revenue			In thousands			
ACTUAL - July to December 2016						FORECASTED - Fiscal Year 2017			
Actual	Budget	Variance	Revenue	Forecast	Budget	Variance	Forecast	Budget	Variance
\$ 6,239	\$ 5,769	\$ 470	Transfer from IEIA - Virginia Appropriation	\$ 11,758	\$ 11,538	\$ 220			
\$ 1,064	\$ 253	\$ 811	Interest & Miscellaneous Revenue	\$ 1,196	\$ 505	\$ 691			
\$ 7,303	\$ 6,022	\$ 1,281		Total Revenue	\$ 12,954	\$ 12,043	\$ 911		
Program Expenses									
\$ 23	\$ 20	\$ 3	R&D - Commonwealth R&T Strategic Roadmap	\$ 51	\$ 54	\$ (3)			
\$ 2,569	\$ 172	\$ 2,397	R&D - CRCF	\$ 3,994	\$ 3,371	\$ 623			
\$ 17	\$ 13	\$ 4	R&D - Innovative Metrics	\$ 61	\$ 50	\$ 11			
\$ 101	\$ 139	\$ (38)	Entrepreneur - Federal Proposal Assistance	\$ 202	\$ 304	\$ (102)			
\$ 2,386	\$ 2,540	\$ (154)	Entrepreneur - GAP	\$ 5,091	\$ 4,846	\$ 245			
\$ 37	\$ -	\$ 37	Connect - Commonwealth Consulting & Education	\$ 37	\$ -	\$ 37			
\$ 5	\$ 9	\$ (4)	Broadband - Office of Telework Promotion & BB Deployment	\$ 21	\$ 18	\$ 3			
\$ 332	\$ 196	\$ 136	Broadband Planning and Assistance	\$ 690	\$ 591	\$ 99			
\$ 66	\$ -	\$ 66	Cyber Security Assessment	\$ 66	\$ -	\$ 66			
\$ 99	\$ 83	\$ 16	Regional Growth	\$ 197	\$ 187	\$ 10			
\$ 351	\$ 34	\$ 317	Cyber Security Commission	\$ 938	\$ 67	\$ 871			
\$ 129	\$ 39	\$ 90	Unmanned Systems	\$ 473	\$ 45	\$ 428			
\$ 88	\$ -	\$ 88	Unmanned Center of Excellence and Accelerator	\$ 220	\$ -	\$ 220			
\$ 826	\$ 1,200	\$ (374)	MACH37	\$ 1,541	\$ 1,200	\$ 341			
\$ 121	\$ 312	\$ (191)	Information Sharing and Analysis Organization	\$ 303	\$ 312	\$ (9)			
\$ 21	\$ -	\$ 21	Building Management	\$ 36	\$ -	\$ 36			
\$ 7,171	\$ 4,757	\$ 2,414		Total Program Expenses	\$ 13,921	\$ 11,045	\$ 2,876		
Other Expenses									
\$ 152	\$ 222	\$ (70)	Commonwealth Support, Marketing, Advocacy, Fundraising, Miscellaneous	\$ 356	\$ 532	\$ (176)			
\$ (244)	\$ (169)	\$ (75)	Indirects Unapplied (Over-applied) to Projects	\$ (344)	\$ (412)	\$ 68			
\$ (92)	\$ 53	\$ (145)		Total Other Expenses	\$ 12	\$ 120	\$ (108)		
\$ 224	\$ 1,212	\$ (988)	Net Operations Funded by VA Appropriation & Other Revenue	\$ (979)	\$ 878	\$ (1,857)			
Operations Funded by Contracts & Grants									
R&D									
\$ 40	\$ 41	\$ (1)	Program Revenue - Rutgers - Mid-Atlantic Reg Coastal Observing System	\$ 77	\$ 66	\$ 11			
\$ 40	\$ 41	\$ (1)	Program Expense	\$ 77	\$ 66	\$ 11			
\$ -	\$ -	\$ -		Profit/(Loss)	\$ -	\$ -	\$ -		
Entrepreneur									
\$ 209	\$ -	\$ 209	Program Revenue - State Small Business Credit Initiative Fund	\$ 241	\$ -	\$ 241			
\$ 209	\$ -	\$ 209	Program Expense	\$ 241	\$ -	\$ 241			
\$ -	\$ -	\$ -		Profit/(Loss)	\$ -	\$ -	\$ -		
Connect									
\$ 29	\$ -	\$ 29	Program Revenue - SBA FAST VI	\$ 100	\$ -	\$ 100			
\$ 29	\$ -	\$ 29	Program Expense	\$ 100	\$ -	\$ 100			
\$ -	\$ -	\$ -		Profit/(Loss)	\$ -	\$ -	\$ -		
Broadband									
\$ 43	\$ 286	\$ (243)	Program Revenue - DMME Commonwealth Energy Fund (CEF)	\$ 44	\$ 287	\$ (243)			
\$ 121	\$ 286	\$ (165)	Program Expense	\$ 328	\$ 287	\$ 41			
\$ (78)	\$ -	\$ (78)	Profit/(Loss) - covered by return on investment revenue received in FY2016	\$ (284)	\$ -	\$ (284)			
Other Activities									
\$ 350	\$ 332	\$ 18	Program Revenue - DHS PNNL Accelerator Emerge 2016	\$ 500	\$ 810	\$ (310)			
\$ 431	\$ 332	\$ 99	Program Expense	\$ 496	\$ 799	\$ (303)			
\$ (81)	\$ -	\$ (81)		Profit/(Loss)	\$ 4	\$ 11	\$ (7)		
Net Operations Funded by Contracts & Grants									
\$ 354	\$ 321	\$ 33	Program Revenue - Nevada Operations & Maintenance	\$ 697	\$ 719	\$ (22)			
\$ 347	\$ 321	\$ 26	Program Expense	\$ 690	\$ 646	\$ 44			
\$ 7	\$ -	\$ 7		Profit/(Loss)	\$ 7	\$ 73	\$ (66)		
Consolidated Revenue & Expenses									
\$ 8,329	\$ 7,537	\$ 792	Revenue	\$ 14,614	\$ 15,089	\$ (475)			
\$ 8,257	\$ 6,325	\$ 1,932	Expenses	\$ 15,866	\$ 14,072	\$ 1,794			
\$ 72	\$ 1,212	\$ (1,140)	Change in Net Position	\$ (1,252)	\$ 1,017	\$ (2,269)			
CHANGE IN NET ASSETS									
\$ 72	\$ 1,212	\$ (1,140)	Change in Net Position	\$ (1,252)	\$ 1,017	\$ (2,269)			
\$ 6,974	\$ 6,261	\$ 713	Beginning Net Position at July 1, 2016	\$ 6,974	\$ 6,261	\$ 713			
\$ 7,046	\$ 7,473	\$ (427)	Ending Net Position at December 31, 2016	\$ 5,722	\$ 7,278	\$ (1,556)			

Item 428.D.2.b

Fiscal Year 2017 Quarter 2
December 31, 2016

Investments & Grants

Center for Innovative Technology

Investments closed FY2017 - as of December 31, 2016

	Investments FY2017	Budget FY2017	Variance
418 Intelligence Corp.	\$ 100,000		
Adlumin, Inc.	25,000		
Eunomics, Inc.	100,000		
Qrvery, Inc.	100,000		
Senseware, Inc.	100,000		
Steel Mountain Systems Corporation	25,000		
Threatquotient, Inc.	90,000		
Zoomph, Inc.	100,000		
Aida Health, Inc.	50,000		
Bthere, Inc.	50,000		
Coulomb, Inc.	50,000		
Shevirah, Inc.	100,000		
Atomic Corporate Industries, Inc.	100,000		
Riogin, LLC	75,002		
South49 Solutions	50,000		
Threatswitch, Inc.	50,000		
Intelligence Framework, Inc.	50,000		
NS8, Inc.	50,000		
Adlumin, Inc.	25,000		
Steel Mountain Systems Corporation	25,000		
INF Robotics	20,000		
SCRIB	100,000		
Upside Door Inc.	50,000		
MarginEdge	100,000		
	<u>\$ 1,585,002</u>	<u>\$ 1,150,000</u>	<u>\$ 435,002</u>

Amount

Return on Prior Investments FY2017

Senseware, Inc. - interest rolled into investment

\$ 9,118

Other Gains FY2017

Realized gain on Agenus, Inc. stock sale

\$ 16,955

Gain on transfer of equity from CIT to M37 Carried Interest, LLC (M37 CI)

245,000

M37 CI, a subsidiary of CIT, holds the MACH37 Cyber Accelerator portfolio company equity for cohorts through June 30, 2016

Loss on investment in M37 Equity Pool, LLC (M37 EP)

(5,696)

M37 EP, a subsidiary of CIT, holds the MACH37 Cyber Accelerator portfolio company equity for cohorts through June 30, 2016

CRCF Grants closed FY2017

N/A through 12/31/16

Item 428.D.2.c

Fiscal Year 2017 Quarter 2
December 31, 2016

Financial & Programmatic
MACH37 LLC

&

M37 Equity Pool, LLC

&

M37 Carried Interest, LLC

MACH37, LLC

FINANCIAL REPORT
Unaudited

As of December 31, 2016

MACH37 LLC

STATEMENT OF NET POSITION

As of December 31, 2016 and 2015

	Unaudited 12/31/2016	Unaudited 12/31/2015	Change
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,013,578	\$ 250,000	\$ 763,578
Sponsorships receivable	-	-	-
Total current assets	<u>1,013,578</u>	<u>250,000</u>	<u>763,578</u>
Capital assets:			
Furniture, fixtures, equipment, and trademark	83,704	83,704	-
Less accumulated depreciation and amortization	<u>(22,917)</u>	<u>-</u>	<u>(22,917)</u>
Total capital assets	<u>60,787</u>	<u>83,704</u>	<u>(22,917)</u>
Other assets:			
Interest in M37 Equity Pool, LLC	143,750	-	143,750
Trademark	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total other assets	<u>158,750</u>	<u>15,000</u>	<u>143,750</u>
Total assets	<u><u>1,233,115</u></u>	<u><u>348,704</u></u>	<u><u>884,411</u></u>
LIABILITIES			
Current liabilities:			
Due to CIT	783,467	-	783,467
Unearned revenue	<u>412,528</u>	<u>-</u>	<u>412,528</u>
Total current liabilities	<u>1,195,995</u>	<u>-</u>	<u>1,195,995</u>
Total liabilities	<u>1,195,995</u>	<u>-</u>	<u>1,195,995</u>
NET POSITION			
Unrestricted	<u>37,120</u>	<u>348,704</u>	<u>(311,584)</u>
Total net position	<u><u>\$ 37,120</u></u>	<u><u>\$ 348,704</u></u>	<u><u>\$ (311,584)</u></u>

MACH37 LLC

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the quarter ended December 31, 2016 and 2015

	Unaudited 12/31/2016	Unaudited 12/31/2015	Change
OPERATING REVENUES			
Sponsorship Revenue	\$ 343,067	\$ 250,000	\$ 93,067
Total operating revenue	<u>343,067</u>	<u>250,000</u>	<u>93,067</u>
EXPENSES			
Operating expenses	754,139	-	754,139
Depreciation and amortization	<u>9,167</u>	<u>-</u>	<u>9,167</u>
Total expenses	<u>763,306</u>	<u>-</u>	<u>763,306</u>
OTHER INCOME (EXPENSE)			
Gain (loss) on investment	<u>(2,729)</u>	<u>-</u>	<u>(2,729)</u>
CHANGE IN NET POSITION	(422,968)	250,000	(672,968)
Capital contributions	155,729	98,704	57,025
Net position, beginning	<u>304,359</u>	<u>-</u>	<u>304,359</u>
Net position, ending	<u>\$ 37,120</u>	<u>\$ 348,704</u>	<u>\$ (311,584)</u>

M37 Equity Pool, LLC

FINANCIAL REPORT
Unaudited

As of December 31, 2016

M37 Equity Pool, LLC

STATEMENT OF ASSETS, LIABILITIES and MEMBERS' CAPITAL

As of December 31, 2016 and 2015

	Unaudited 12/31/2016	Unaudited 12/31/2015	Change
ASSETS			
Cash and cash equivalents	\$ 100	\$ -	\$ 100
Investments in securities in portfolio companies	<u>2,036,850</u>	<u>1,436,850</u>	<u>600,000</u>
Total assets	<u>2,036,950</u>	<u>1,436,850</u>	<u>600,100</u>
LIABILITIES			
Due to CIT	<u>100</u>	<u>-</u>	<u>100</u>
Total liabilities	<u>100</u>	<u>-</u>	<u>100</u>
MEMBERS' CAPITAL			
CIT	1,369,183	1,436,850	(67,667)
Other members	<u>667,667</u>	<u>-</u>	<u>667,667</u>
Total members' capital	<u>\$ 2,036,850</u>	<u>\$ 1,436,850</u>	<u>\$ 600,000</u>

M37 Equity Pool, LLC

STATEMENT OF OPERATIONS and CHANGE IN MEMBERS' CAPITAL

For the six months ended December 31, 2016 and 2015

	Unaudited 12/31/2016	Unaudited 12/31/2015	Change
REVENUES			
Investment income (loss)	\$ (11,392)	\$ -	\$ (11,392)
Total operating revenue	(11,392)	-	(11,392)
EXPENSES			
Operating expenses	-	-	-
Total expenses	-	-	-
Net income	(11,392)	-	(11,392)
Members' capital, June 30, 2016 and 2015	2,086,850	-	2,086,850
Members' capital contribution	-	1,436,850	(1,436,850)
Members' distribution	(38,608)	-	(38,608)
Members' capital, December 31, 2016 and 2015	<u>\$ 2,036,850</u>	<u>\$ 1,436,850</u>	<u>\$ 600,000</u>

M37 Carried Interest, LLC

FINANCIAL REPORT
Unaudited

As of December 31, 2016

M37 Carried Interest, LLC

STATEMENT OF ASSETS, LIABILITIES and MEMBERS' CAPITAL

As of December 31, 2016 and 2015

	Unaudited 12/31/2016	Unaudited 12/31/2015	Change
ASSETS			
Cash and cash equivalents	\$ 5,000	\$ -	\$ 5,000
Investments in securities in portfolio companies	250,000	-	250,000
Total assets	255,000	-	255,000
LIABILITIES			
Accounts payable and accrued expenses	-	-	-
Due to CIT	5,000	-	5,000
Total liabilities	5,000	-	5,000
MEMBERS' CAPITAL			
CIT	245,000	-	245,000
Minority Interest	5,000	-	5,000
Total members' capital	\$ 250,000	\$ -	\$ 250,000

M37 Carried Interest, LLC

STATEMENT OF OPERATIONS and CHANGE IN MEMBERS' CAPITAL

For the six months ended December 31, 2016 and 2015

	Unaudited 12/31/2016	Unaudited 12/31/2015	Change
REVENUES			
Investment income	\$ -	\$ -	\$ -
Total operating revenue	-	-	-
EXPENSES			
Operating expenses	-	-	-
Total expenses	-	-	-
Net income	-	-	-
Members' capital, June 30, 2016 and 2015	-	-	-
Members' capital contribution	250,000	-	250,000
Members' capital, December 31, 2016 and 2015	\$ 250,000	\$ -	\$ 250,000