



January 30, 2019

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

Dear Mr. Timberlake:

Enclosed please find the second Quarterly Report for FY2019 for the Center for Innovative Technology. The attached report fulfills the requirements of the Code of Virginia, §2.2-2221.1.C (includes reporting requirements of Item 126.10.D.2 of the 2018 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: The Honorable Brian Ball, Secretary of Commerce and Trade
Mr. Robby Demeria, Deputy Secretary, Commerce and Trade
The Honorable Emmett W. Hanger, Jr., Co-Chairman, Senate Finance Committee
The Honorable S. Chris Jones, Chairman, House Appropriations Committee
Ms. April Kees, Staff Co-Director, Senate Finance Committee
Ms. Samantha Martin, Budget and Policy Director, Department of Planning and Budget
Mr. Bernard Mustafa, CIT BOD Finance Committee Chair
The Honorable Thomas K. Norment, Jr., Co-Chairman, Senate Finance Committee
Mr. Jason Powell, Staff Co-Director, Senate Finance Committee
Mr. Michael Steed, CIT Chairman of the Board
Mr. Robert P. Vaughn, Staff Director, House Appropriations Committee
Ms. Toni Walker, Associate Director, Department of Planning and Budget

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Item 126.10.D.2.a

Fiscal Year 2019 Quarter 2
December 31, 2018

Financial Performance

**Center for Innovative Technology
Fiscal Year 2019 December Forecast**

	Operating Funds		Designated Funds							Total
	COV	Other	COV						Federal	
	Discretionary	Grants & Contracts	BB Fund	IEMS Fund	Comm Fund	CRCF Fund	UAS and COE Fund	GAP Fund	DMME Fund	
	(In Thousands)									
Beginning Balance at 7/1/2018	\$ 474	\$ 80	\$ 90	\$ 26	\$ 661	\$ -	\$ 1,303	\$ 5,795	\$ 282	\$ 8,711
REVENUE										
Appropriation	\$ 3,238		\$ 550		\$ 400	\$ 3,034	\$ 1,000	\$ 3,100		\$ 11,322
Interest, Sponsorship, Return on Investment	\$ 170				\$ 32			\$ 1,845		\$ 2,047
Contracts & Grants		\$ 1,683							\$ 2	\$ 1,685
Total Revenue	\$ 3,408	\$ 1,683	\$ 550	\$ -	\$ 432	\$ 3,034	\$ 1,000	\$ 4,945	\$ 2	\$ 15,054
EXPENSES AND TRANSFERS										
Operating Programs Net of Over-applied Indirects	\$ 1,034									\$ 1,034
Designated Programs	\$ 2,646		\$ 604		\$ 693	\$ 3,034	\$ 1,700	\$ 4,723		\$ 13,400
Contracts & Grants		\$ 1,566							\$ 284	\$ 1,850
Total Expenses	\$ 3,680	\$ 1,566	\$ 604	\$ -	\$ 693	\$ 3,034	\$ 1,700	\$ 4,723	\$ 284	\$ 16,284
Net Change	\$ (272)	\$ 117	\$ (54)	\$ -	\$ (261)	\$ -	\$ (700)	\$ 222	\$ (282)	\$ (1,230)
Ending Balance at 6/30/2019	\$ 202	\$ 197	\$ 36	\$ 26	\$ 400	\$ -	\$ 603	\$ 6,017	\$ -	\$ 7,481

Legend:

- BB Fund = Broadband Program Fund
- IEMS Fund = Innovation and Entrepreneurship Measurement Fund
- Comm Fund = Cyber Security Commission Fund
- CRCF = Commonwealth Research Commercialization Fund
- UAS and COE Fund = Unmanned Systems and Unmanned Center of Excellence Fund
- GAP Fund = Growth Acceleration Program 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, redeployment of investment return proceeds received on a federal grant.

CENTER FOR INNOVATIVE TECHNOLOGY
 BUDGET ANALYSIS
 For the Six Months ended December 31, 2018

Commonwealth Projects Funded by Appropriation & Other Revenue

(In Thousands)			(In Thousands)			
ACTUAL - Jul - Dec 2018			FORECASTED - Fiscal Year 2019			
Actual	Budget	Variance	Forecast	Budget	Variance	
Revenue			Revenue			
\$ 5,761	5,136	\$ 625	\$ 11,322	10,272	\$ 1,050	
661	35	626	2,047	70	1,977	
6,422	5,171	1,251	13,369	10,342	3,027	
Program Expenses			Program Expenses			
13	4	9	21	6	15	
1,998	1,989	9	3,736	2,965	771	
123	91	32	282	257	25	
2,593	2,868	(275)	5,928	6,100	(172)	
3	3	-	6	6	-	
283	299	(16)	785	643	142	
3	-	3	3	-	3	
89	123	(34)	212	243	(31)	
299	165	134	839	853	(14)	
277	607	(330)	1,325	745	580	
142	156	(14)	781	1,919	(1,138)	
8	-	8	8	-	8	
5,831	6,305	(474)	13,926	13,737	189	
Other Expenses			Other Expenses			
129	101	28	564	357	207	
(246)	27	(273)	(56)	(10)	(46)	
(117)	128	(245)	508	347	161	
5,714	6,433	(719)	14,434	14,084	350	
708	(1,262)	1,970	Net	(1,065)	(3,742)	2,677

Strategic Initiatives Funded by Contracts & Grants

2	1	1	Program Revenue - DMME Commonwealth Energy Fund	2	3	(1)
284	-	284	Program Expense	284	400	(116)
(282)	1	(283)	Profit/(Loss)*	(282)	(397)	115
*covered by return on investment proceeds received in prior years						
1,185	1,311	(126)	Program Revenue - DHS SCIP	1,672	1,705	(33)
1,095	1,224	(129)	Program Expense	1,555	1,579	(24)
90	87	3	Profit/(Loss)	117	126	(9)
11	-	11	Program Revenue - UVA Wise Verizon Grant	11	-	11
11	-	11	Program Expense	11	-	11
-	-	-	Profit/(Loss)	-	-	-
1,198	1,312	(114)	Program Revenue	1,685	1,708	(23)
1,390	1,224	166	Program Expenses	1,850	1,979	(129)
(192)	88	(280)	Net	(165)	(271)	106

Consolidated Revenue, Expenses and Changes in Net Position

7,620	6,483	1,137	Revenue	15,054	12,050	3,004
7,104	7,857	(553)	Expenses	16,284	16,063	221
516	(1,174)	1,690	Change in Net Position	(1,230)	(4,013)	2,783
8,711	7,768	943	Beginning Net Position	8,711	7,768	943
\$ 9,227	\$ 6,594	\$ 2,633	Ending Net Position	\$ 7,481	\$ 3,755	\$ 3,726

INNOVATION AND ENTREPRENEURSHIP INVESTMENT AUTHORITY
BUDGET ANALYSIS FOR BUILDING OPERATIONS ONLY
For the Six Months Ended December 31, 2018

In thousands			BUILDING ANALYSIS	In thousands		
ACTUAL - July to December 2018				FORECASTED - Fiscal Year 2019		
Actual	Budget	Variance		Forecast	Budget	Variance
			REVENUE			
\$ 549	\$ 518	\$ 31	Rental Income - lease revenue	\$ 837	\$ 766	\$ 71
549	518	31	Total Revenue	837	766	71
			BUILDING EXPENSES			
136	138	(2)	Payroll	250	244	6
190	200	(10)	Utilities	374	380	(6)
67	68	(1)	Administrative	132	132	-
26	55	(29)	Operating & Maintenance	80	102	(22)
177	190	(13)	Contracts	354	382	(28)
50	50	-	Insurance	100	100	-
-	-	-	Food Service Subsidy	-	42	(42)
8	8	-	Leasing Commission and Miscellaneous	15	15	-
654	709	(55)	Total Expenses	1,305	1,397	(92)
\$ (105)	\$ (191)	\$ 86	Net Income	\$ (468)	\$ (631)	\$ 163

Item 126.10.D.2.b

Fiscal Year 2019 Quarter 2
December 31, 2018

Investments & Grants

**Center for Innovative Technology
Investments Made and Return on Prior Investments
For the six months ended December 31, 2018**

Investments made:

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
ARtGlass USA, LLC	\$ 50,000		
Coulomb, Inc	200,000		
Dark3, Inc.	100,000		
Embody LLC	250,000		
FourStay, Inc.	100,000		
Gathering Inc	100,000		
Hyperqube Technologies, Inc.	50,000		
Litelideas	100,000		
Plutus Privacy Security, Inc.	50,000		
Pype, Inc.	100,000		
Scenethink, Inc.	50,000		
Senseware, Inc.	100,000		
Societas Analytics, Inc.	50,000		
Stratus Digital Systems	50,000		
Student Opportunity Center, Inc	100,000		
Tympanogen, Inc	50,000		
	<u>\$ 1,500,000</u>	<u>\$ 1,200,000</u>	<u>\$ 300,000</u>

Return on Prior Investments:

Typezero Technologies Inc	\$ 183,240
Invincea Inc.	129,051
Clearedge3D Inc	9,487
Ringobon LLC	5,000
Normshield Inc	150,000
418Intelligence Corp	18,684
	<u>\$ 495,462</u>

CRCF Grants Awarded

N/A

Item 126.10.D.2.c

Fiscal Year 2019 Quarter 2
December 31, 2018

Financial & Programmatic

M37 Equity Pool, LLC and
M37 Carried Interest, LLC

M37 Equity Pool, LLC

Financial Report

Unaudited

As of and for the six months ended December 31, 2018 and 2017

M37 Equity Pool, LLC

STATEMENT OF ASSETS, LIABILITIES and MEMBERS' CAPITAL

As of December 31, 2018 and 2017

	Unaudited 12/31/2018	Unaudited 12/31/2017	Change
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,224	\$ 5,095	\$ 2,129
Total current assets	<u>7,224</u>	<u>5,095</u>	<u>2,129</u>
Total assets	<u>7,224</u>	<u>5,095</u>	<u>2,129</u>
LIABILITIES			
Current liabilities:			
Due to CIT	<u>7,224</u>	<u>3,100</u>	<u>4,124</u>
Total current liabilities	<u>7,224</u>	<u>3,100</u>	<u>4,124</u>
Total liabilities	<u>7,224</u>	<u>3,100</u>	<u>4,124</u>
MEMBERS' CAPITAL			
CIT	-	1,436	(1,436)
Minority Members	<u>-</u>	<u>559</u>	<u>(559)</u>
Total members' capital	<u>-</u>	<u>1,995</u>	<u>(1,995)</u>
Total liabilities and members' capital	<u>\$ 7,224</u>	<u>\$ 5,095</u>	<u>\$ 2,129</u>

M37 Equity Pool, LLC

STATEMENT OF OPERATIONS and CHANGES IN MEMBERS' CAPITAL

For the six months ended December 31, 2018 and 2017

	Unaudited 12/31/2018	Unaudited 12/31/2017	Change
REVENUES			
Net realized investment gain (loss)	\$ 2,145	\$ 2,145	\$ -
Total operating revenue	2,145	2,145	-
EXPENSES			
Operating expenses	15	90	(75)
Total expenses	15	90	(75)
NET LOSS	2,130	2,055	75
Members' capital, beginning	-	(60)	60
Members' contributions/(distributions)	(2,130)	-	(2,130)
Members' capital, ending	\$ -	\$ 1,995	\$ (1,995)

M37 Carried Interest, LLC

Financial Report

Unaudited

As of and for the six monthss ended December 31, 2018 and 2017

M37 Carried Interest, LLC

STATEMENT OF ASSETS, LIABILITIES and MEMBERS' CAPITAL

As of December 31, 2018 and 2017

	Unaudited 12/31/2018	Unaudited 12/31/2017	Change
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,000	\$ 11,000	\$ -
Total current assets	11,000	11,000	-
Total assets	11,000	11,000	-
LIABILITIES			
Current liabilities:			
Due to CIT	11,000	11,000	-
Total current liabilities	11,000	11,000	-
Total liabilities	11,000	11,000	-
MEMBERS' CAPITAL			
CIT	-	-	-
Total members' capital	-	-	-
Total liabilities and members' capital	\$ 11,000	\$ 11,000	\$ -

M37 Carried Interest, LLC

STATEMENT OF OPERATIONS and CHANGES IN MEMBERS' CAPITAL

For the six months ended December 31, 2018 and 2017

	Unaudited 12/31/2018	Unaudited 12/31/2017	Change
REVENUES			
Investment income	\$ -	\$ -	\$ -
Total operating revenue	-	-	-
EXPENSES			
Operating expenses	-	-	-
Total expenses	-	-	-
NET LOSS	-	-	-
Members' capital, beginning	-	-	-
Members' capital, ending	\$ -	\$ -	\$ -