

February 1, 2022

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

Dear Mr. Howe:

Enclosed please find the second FY2022 Quarterly Report for the Virginia Innovation Partnership Corporation (CIT»VIPC). The attached report fulfills the requirements of the Appropriations Act Item 135 D.2 (Special Session I, 2021).

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

Sincerely,



Susan Aitcheson
CFO
Virginia Innovation Partnership Corporation

cc: The Honorable Caren Merrick, Secretary of Commerce and Trade
The Honorable Janet D Howell, Chair, Senate Finance & Appropriations Committee
The Honorable Barry Knight, Chair, House Appropriations Committee
Ms. Carla Karnes, Staff Director, House Appropriations Committee
Ms. April Kees, Staff Director, Senate Finance & Appropriations Committee
Ms. Toni Walker, Associate Director, Department of Planning and Budget
Ms. Samantha Martin, Budget and Policy Analyst, Department of Planning and Budget
Dr. Barbara Boyan, VIPC Board of Directors Chair
Mr. Rob Quartel, VIPC Board of Directors Finance Committee Chair

Item 135.D.2.a

**Fiscal Year 2022 Quarter 2
December 31, 2021**

Financial Performance

BUDGET ANALYSIS

For the Six Months Ended December 31, 2021

(In Thousands)			
ACTUAL -Jul - Dec 2021			
Actual	Budget	Variance	
			Revenue
\$ 22,595	\$ 20,775	\$ 1,820	Commonwealth Appropriation - General Fund
1	2	(1)	Interest & Misc. Income
<u>22,596</u>	<u>20,777</u>	<u>1,819</u>	
			Expenses and Transfers
-	2	(2)	VIPA Administrative Expense
7,995	8,050	(55)	Transfer to VIPC - FY2022 Appropriation
14,619	12,725	1,894	Transfer to COEs - FY2022 Appropriation
<u>22,614</u>	<u>20,777</u>	<u>1,837</u>	

(In Thousands)			
FORECASTED -Fiscal Year 2022			
Forecast	Budget	Variance	
\$ 41,550	\$ 41,550	\$ -	
4	4	-	
<u>41,554</u>	<u>41,554</u>	<u>-</u>	Total Revenue
3	3	-	
16,100	16,100	-	
25,450	25,450	-	
<u>41,553</u>	<u>41,553</u>	<u>-</u>	Total Expenses & Transfers

Consolidated Revenue, Expenses and Changes in Net Position			
22,596	20,777	1,819	Revenue
22,614	20,777	1,837	Expenses and Transfers
(18)	-	(19)	Change in Net Position
2,594	2,028	566	Beginning Net Position
<u>\$ 2,576</u>	<u>\$ 2,028</u>	<u>\$ 547</u>	Ending Net Position

41,554	41,554	-
41,553	41,553	-
1	1	-
2,594	2,028	566
<u>\$ 2,595</u>	<u>\$ 2,029</u>	<u>\$ 566</u>

Virginia Innovation Partnership Corporation
Fiscal Year 2022 Q3 Forecast

	Operating Funds			Designated Funds					Total	
	COV		Other	COV						
	Discretionary Fund Operating	Fund Rent	Grants & Contracts	Commercialization Division	Investment Division	Entrepreneurial Ecosystems Division	Strategic Initiatives Fund	Unmanned Systems Fund		135.P.4 Funds
(In Thousands)										
Beginning Balance at 7/1/2021	\$ 994	\$ -	\$ 665	\$ 32,384	\$ 17,508	\$ 3,296	\$ 542	\$ 1,384	\$ 20,678	\$ 77,451
REVENUE										
General Fund Appropriation	3,196	750		5,000	3,100	2,000	1,000	1,000		16,046
Interest, Sponsorship, Return on Investment	24			18	1,386	2	100	134		1,664
Contracts & Grants			4,545							4,545
Total Revenue	\$ 3,220	\$ 750	\$ 4,545	\$ 5,018	\$ 4,486	\$ 2,002	\$ 1,100	\$ 1,134	\$ -	\$ 22,255
EXPENSES AND TRANSFERS										
Operating Programs Net of Unapplied Indirects	364	340								704
Designated Programs	4,247			4,055	9,230	1,473	1,618	1,581	2,000	24,204
Contracts & Grants			4,217							4,217
Transfers and Indirect Application to Designated Programs	(422)		124	61	138	22	24	24	30	0
Total Expenses	\$ 4,189	\$ 340	\$ 4,341	\$ 4,116	\$ 9,368	\$ 1,495	\$ 1,642	\$ 1,605	\$ 2,030	\$ 29,125
Net Change	\$ (969)	\$ 410	\$ 204	\$ 902	\$ (4,882)	\$ 507	\$ (542)	\$ (471)	\$ (2,030)	\$ (6,871)
Forecasted Ending Balance at 6/30/2022	\$ 25	\$ 410	\$ 869	\$ 33,286	\$ 12,626	\$ 3,803	\$ 0	\$ 913	\$ 18,648	\$ 70,581

Commonwealth Projects Funded by Appropriation & Other Revenue

(In Thousands)			(In Thousands)		
ACTUAL - Jul - Dec 2021			FORECASTED - Fiscal Year 2022		
Actual	Budget	Variance	Forecast	Budget	Variance
Revenue					
\$ 7,995	\$ 8,023	\$ (29)	\$ 16,046	\$ 16,046	\$ -
1,522	51	1,472	1,664	101	1,563
<u>9,517</u>	<u>8,074</u>	<u>1,444</u>	<u>17,710</u>	<u>16,147</u>	<u>1,563</u>
Expenses					
2,476	4,826	(2,350)	4,986	11,772	(6,786)
5,919	5,140	779	11,089	8,691	2,398
302	1,524	(1,222)	1,825	3,274	(1,449)
548	790	(242)	1,972	1,685	287
535	910	(375)	1,935	1,871	64
-	-	-	2,397	2,000	397
425	576	(151)	1,546	1,159	387
(431)	(532)	101	(842)	(825)	(17)
<u>9,774</u>	<u>13,234</u>	<u>(3,460)</u>	<u>24,908</u>	<u>29,627</u>	<u>(4,719)</u>
<u>(257)</u>	<u>(5,161)</u>	<u>4,904</u>	<u>(7,198)</u>	<u>(13,480)</u>	<u>6,282</u>

Strategic Initiatives and Other Funding Provided by Contracts & Grants

Strategic Initiatives					
1,478	907	571	4,435	2,295	2,140
1,369	840	529	4,107	2,125	1,982
<u>109</u>	<u>67</u>	<u>42</u>	<u>328</u>	<u>170</u>	<u>158</u>
Other					
55	58	(3)	110	58	52
55	58	(3)	110	58	52
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,533	965	568	4,545	2,353	2,192
1,424	898	526	4,217	2,183	2,034
<u>109</u>	<u>67</u>	<u>42</u>	<u>328</u>	<u>170</u>	<u>158</u>

Consolidated Revenue, Expenses and Changes in Net Position

11,050	9,039	2,012	22,255	18,500	3,755
11,198	14,132	(2,934)	29,125	31,810	(2,685)
(148)	(5,094)	4,946	(6,870)	(13,310)	6,440
77,451	74,920	2,531	77,451	74,920	2,531
<u>\$ 77,303</u>	<u>\$ 69,827</u>	<u>\$ 7,477</u>	<u>\$ 70,581</u>	<u>\$ 61,610</u>	<u>\$ 8,971</u>

Item 135.D.2.b

**Fiscal Year 2022 Quarter 2
December 31, 2021**

Investments & Grants

Virginia Innovation Partnership Corporation
Investments & Grants Made and Return on Prior Investments
For the six months ended December 31, 2021

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<u>Investments made Virginia Venture Partners (VVP):</u>			
Investment in 30 companies	\$ 3,650,362.63	\$ 2,175,000.00	\$ 1,475,362.63
<u>Return on Prior Investments, including gains and losses:</u>			
Returns from 6 companies	\$ 1,386,228.22		
<u>Grants made Commercialization Division:</u>			
Commonwealth Commercialization Fund (CCF): 23 companies	\$ 1,648,434.00	\$ 3,320,000.00	\$ (1,671,566.00)

Item 135.D.2.c

Fiscal Year 2022 Quarter 2
December 31, 2021

Financial & Programmatic
Performance of Operating
Entities Owned by VIPC

**No Operating Entities Owned
during FY22 Q2**

Item 135.D.2.d

Fiscal Year 2022 Quarter 2
December 31, 2021

Transition to new Authority

Timeline and Associated Activities for transition into the new Authority

CIT began the transition from its management of the Innovation and Entrepreneurship Investment Authority (IEIA) to management of the new Virginia Innovation Partnership Authority (VIPA) after passage of HB1017 and SB756 in the 2020 Session of Virginia's General Assembly. That new role - as the VIPA managing non-profit - became official on July 1, 2020.

To ensure a smooth transition and sustained program operation, CIT's existing Board remained in place until future governance could be established. In preparation for the first VIPA Board meeting, CIT's Board met for the final time on December 3, 2020 to approve changes in CIT's bylaws and articles of incorporation that would allow the newly formed VIPA Board to also serve as the Board for CIT.

Six of the eleven VIPA Board of Directors were appointed in July by Governor Northam and a seventh, Virginia's Secretary of Commerce & Trade serving as the VIPA Vice Chairman, is also in place. As of December 31, 2020, the Board positions allocated for appointment by the General Assembly's Joint Rules Committee in the authorizing language are yet to be made. However, the current seven appointees constitute a quorum for the VIPA and the inaugural Board meeting was held on December 17, 2020.

The following Board Members were present at the meeting:

- Vice Chairman - Secretary Brian Ball
- Member - Ms. Monique Adams
- Member - Dr. Barbara Boyan
- Member - Mr. Richard Hall
- Member - Mr. Chiedo John
- Member - Mr. Kurt John
- Member - Ms. Paula Sorrell

At the December 17 Board meeting, several critical actions were taken by the Board to ensure that CIT is authorized to provide administrative and operational support to the VIPA and ensure uninterrupted services from programs that require VIPA oversight. These actions were unanimously approved through a governance resolution and separate motions that included:

- Designating CIT as the managing non-profit and operating arm of the VIPA
- Appointing the President of CIT to serve as the President of the VIPA and carry out the duties outlined in the resolution
- Designating the Board of Directors for the VIPA to also serve as the Board of Directors for CIT
- Approving Advisory Boards for the Investment, Commercialization, and Entrepreneurial Ecosystems Divisions at CIT

- Approving Guidelines for the first solicitation of the Commonwealth Commercialization Fund (CCF) to be announced in January 2021.
- Delaying the first report on the VIPA Centers of Excellence until December 1, 2021
- Delaying the election of VIPA officers until the full Board has been appointed.

The VIPA held its second Board meeting on March 4, 2021, however, the four Joint Rules Committee appointments have still not been announced. The Board received an update on CIT's FY21 goals and objectives and strategies for FY22 planning. Additionally, the VIPA Board approved the criteria for the Regional Innovation Fund. Overviews of VIPA's four centers of excellence (CCAM, CCALS, CCI, VBHRC) were presented by the directors of each organization.

Significantly, the first solicitation of the new Commonwealth Commercialization Fund was launched in January 2021, and the first solicitation of the new Regional Innovation Fund was launched in March 2020. Both programs made awards before the end of FY21.

In May 2021, the General Assembly's Joint Rules Committee made the remaining four appointments to the VIPA. Those members were:

- Member – Andrew Ko
- Member – Chris Long
- Member – Rob Quartel
- Member – Angela Reddix

The full Board met for the first time on June 10, 2021, virtually. Key items on the agenda for the 4th Qtr. meeting included: Approval of CIT's Operations Plan for FY22, approval of CIT's budget for FY22, approval of the recommended name change from the Center for Innovative Technology (CIT) to the Virginia Innovative Partnership Corporation (VIPPC). The Board was provided a timeline for the rebranding effort that will include SCC approval for the corporate name change.

CIT's Entrepreneurial Ecosystems Division is working with stakeholders in all nine GO Virginia Regions to establish criteria for the second solicitation of the Regional Investment Fund (RIF). The criteria were presented to, and approved by, the VIPA Board at the March 4, 2021, meeting. The first awards from the RIF were made in June FY21.

Since July 1, 2020, operational funding for CIT and the newly consolidated COEs has been provided to CIT and then distributed accordingly. Portions of the overall Item#135 appropriation initially required VIPA Board approval but, since an initial meeting of that Board was delayed pending appointment the full Board, a budget amendment (Item 135 #2.c) was submitted and passed during the 2021 Special Session of the General Assembly that authorizes CIT's President and CEO to approve and release related

funding. Appropriated funds have been provided to the COEs in accordance with requirements outlined in the budget language.

The Virginia Innovation Partnership Authority (VIPA) held its first in-person Board meeting on September 9th in Richmond. In addition to offering the first chance for most Board members to meet each other in-person, the meeting was significant for many important actions taken by the Board.

- Dr. Barbara Boyan, the Dean of VCU's College of Engineering, was elected as the VIPA's first Board Chairperson.
- The Board established five new standing committees and Chairpersons for each:
 - Executive Committee – Barbara Boyan
 - Finance Committee – Rob Quartel
 - Strategy Committee – Kurt John
 - Entrepreneurial Ecosystems Committee – Paula Sorrell
 - Diversity, Equity, and Inclusion Committee – Angela Reddix
- The Auditor of Public Accounts provided a very positive report on CIT's FY21 audit results.
- The Board approved changes to CIT's Bylaws and Articles of Incorporation to facilitate SCC approval of the name change to the Virginia Innovation Partnership Corporation (VIPC).
- The President's Report included a review of CIT finance, operational highlights, and corporate performance for FY21. This included an assessment of goals and metrics established in the FY21 operating plan.
- The Board reviewed and accepted the Investment Division's Indirect Investment policy recommendations
- CIT's marketing consultant, ACG, provided an update on the rebranding process. We are on track for an early October roll out.

No delays or disruptions have been experienced in any CIT legacy programs because of the transition to the VIPA. All Divisions are working with their appointed advisory committees to update goals and objectives that were the basis for the FY22 operating plan and budget.

In the quarter ended December 2021, the formal announcement to the public of the name change from Center for Innovative Technology (CIT) to Virginia Innovation Partnership Corporation (VIPC) was made, including press releases, website and other social media updates.

To recap the major transition activities that have been completed,

- The Board and Board Committees have been established and meet regularly.
- The division and program guidelines and policies have been created and funding is being deployed accordingly.
- The managing nonprofit has undergone the name change and rebranding.

At this point, the new Authority has moved into the post-transition phase of operations.