

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

FINANCIAL STATEMENTS
June 30, 2013 and 2012

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
Management's Discussion and Analysis	3
FINANCIAL STATEMENTS	10
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows.....	13
Notes to Financial Statements.....	14
SUPPLEMENTARY INFORMATION	26
Schedules of Governmental Activities	27



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Maryland Technology Development Corporation (TEDCO), a component unit of the State of Maryland, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Maryland Technology Development Corporation (TEDCO) as of June 30, 2013 and 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 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 financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Maryland Technology Development Corporation (TEDCO)'s basic financial statements. The schedules of governmental activities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
September 18, 2013

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)

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

Fiscal Year 2013 was another productive period for TEDCO. Demand for our programs was strong as evidenced by a 26% increase in applications for funding from last year in spite of funding less than 1/4 of all applications received. TEDCO's success continues to be demonstrated by follow-on funding of more than \$43 for every TEDCO dollar invested (\$532.2M in total downstream funding received after \$12.5M of TEDCO funding), and strong attendance at our events, including more than 350 attendees at the annual Entrepreneur Expo. Some specific program statistics follow:

- Technology Commercialization Fund (TCF)
 - 50 applications, 17 companies funded, \$1,619,118 deployed
- University Technology Development Fund
 - 9 applications, 3 projects funded, \$149,928 deployed
- TechStart Program
 - 8 applications, 4 projects funded, \$40,490 deployed
- Joint Technology Transfer Initiative
 - 32 white papers submitted, 6 projects funded, \$464,949 deployed
- Maryland Stem Cell Research Fund
 - 171 applications, 31 projects funded, \$10,705,723 deployed
- Patent Assistance Program
 - 6 applications, 1 project funded, \$10,000 deployed
- Maryland Innovation Initiative (MII)
 - 100 applications, 19 projects funded, \$2,960,466 deployed

The numbers, however, only tell part of the story. TEDCO is one of the most active players in the innovation and entrepreneurship community in the state. Examples of this activity includes active board roles on more than 25 incubator, tech council and industry groups, being a lead sponsor of two of the region's largest community events (the Incubator Company of the Year Awards and the Entrepreneur Expo), being an organizing member of the Startup Maryland region of the Startup America Partnership and the only statewide organization with a program dedicated to bringing technology solutions to the rural communities of the state.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)

Brief Discussion of the Basic Financial Statements (Continued)

All of this success does not come easily nor can it be achieved in a vacuum. A key ingredient to TEDCO's success is its partnerships. These partnerships take many forms. Examples include those with tech transfer offices in university and federal labs focused on commercialization efforts, other community members on programs and grant applications, state and local economic development agencies on community building and state and federal legislators through testimonial support of policy and program initiatives. Finally, possibly the most innovative partnership is with private sector investors. TEDCO is currently managing a small investment fund focused on Baltimore City and is well into efforts to launch two additional funds. The two new funds are expected to be focused on U.S. military veterans and cyber security products and services. These fund partnerships will lead to further partnerships in the form of co-investing and syndication with other investment funds such as the Maryland Venture Fund.

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

The statements of net position present the financial position of TEDCO on a full accrual basis. TEDCO's net position is the difference between what TEDCO owns and what TEDCO owes. Increases or decreases in TEDCO's net position are one indicator of whether financial health is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present the results of the activities over the course of the year showing how the net position changed during the year.

The statements of cash flows present the amounts of cash provided by and used in TEDCO's operating activities, investing activities, and, when applicable, capital financing and non-capital financing activities.

The notes to financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the financial statements.

The discussion and analysis that follows presents a general overview of the financial performance and activities of TEDCO from July 1, 2011 through June 30, 2013. As required supplementary information, the analysis should be used in conjunction with the financial statements and related notes to assess the overall financial condition and reported results of operations of TEDCO.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)

Comparative Financial Statements

Condensed statements of net position:

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 / 2012</u> Change	<u>2012 / 2011</u> Change
CURRENT ASSETS					
Cash and cash equivalents	\$ 6,351,081	\$ 13,652,252	\$ 4,406,312	\$ (7,301,171)	\$ 9,245,940
Investments	6,395,506	6,359,090	6,111,614	36,416	247,476
Accounts receivable	14,250,421	397,626	11,155,963	13,852,795	(10,758,337)
Grants receivable	14,038	44,199	35,157	(30,161)	9,042
Current portion of notes receivable	50,408	147,393	210,550	(96,985)	(63,157)
Current portion of Working Capital Loan Fund	36,110	59,625	68,959	(23,515)	(9,334)
Prepaid expenses and other current assets	17,792	57,403	32,759	(39,611)	24,644
Total current assets	<u>27,115,356</u>	<u>20,717,588</u>	<u>22,021,314</u>	<u>6,397,768</u>	<u>(1,303,726)</u>
NONCURRENT ASSETS					
Investments	269,415	212,415	212,415	57,000	-
Notes receivable	566,396	679,692	570,000	(113,296)	109,692
Working Capital Loan Fund	37,624	94,932	118,576	(57,308)	(23,644)
Deposits	20,769	20,769	20,769	-	-
Capital assets	23,869	28,594	33,063	(4,725)	(4,469)
Total noncurrent assets	<u>918,073</u>	<u>1,036,402</u>	<u>954,823</u>	<u>(118,329)</u>	<u>81,579</u>
TOTAL ASSETS	<u>\$ 28,033,429</u>	<u>\$ 21,753,990</u>	<u>\$ 22,976,137</u>	<u>\$ 6,279,439</u>	<u>\$ (1,222,147)</u>
LIABILITIES					
Current liabilities	\$ 20,564,909	\$ 14,771,690	\$ 17,756,794	\$ 5,793,219	\$ (2,985,104)
Other liabilities	79,694	87,401	90,921	(7,707)	(3,520)
Total liabilities	<u>\$ 20,644,603</u>	<u>\$ 14,859,091</u>	<u>\$ 17,847,715</u>	<u>\$ 5,785,512</u>	<u>\$ (2,988,624)</u>
NET POSITION					
Net investment in capital assets	\$ 23,869	\$ 28,594	\$ 33,063	\$ (4,725)	\$ (4,469)
Restricted	73,734	154,557	184,550	(80,823)	(29,993)
Unrestricted	7,291,223	6,711,748	4,910,809	579,475	1,800,939
Total net position	<u>7,388,826</u>	<u>6,894,899</u>	<u>5,128,422</u>	<u>493,927</u>	<u>1,766,477</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 28,033,429</u>	<u>\$ 21,753,990</u>	<u>\$ 22,976,137</u>	<u>\$ 6,279,439</u>	<u>\$ (1,222,147)</u>

The largest portions of TEDCO's total assets as of June 30, 2013, are accounts receivable of \$14,250,421, cash and cash equivalents of \$ 6,351,081, and investments of \$6,664,921.

The largest portions of TEDCO's total assets as of June 30, 2012, are cash and cash equivalents of \$13,652,252, investments of \$6,571,505, and notes receivable of \$827,085.

The largest portion of TEDCO's total liabilities as of June 30, 2013 are stem cell and other grants payable of \$15,887,614.

The largest portion of TEDCO's total liabilities as of June 30, 2012 are stem cell and other grants payable of \$13,338,314.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)

Comparative Financial Statements (Continued)

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2013 / 2012</u> <u>Change</u>	<u>2012 / 2011</u> <u>Change</u>
Operating revenues - grants and other	\$ 21,991,360	\$ 18,580,952	\$ 16,401,893	\$ 3,410,408	\$ 2,179,059
Operating expenses:					
Stem cell program	14,496,903	12,800,735	11,211,823	1,696,168	1,588,912
Tech transfer	4,913,111	2,347,102	3,693,111	2,566,009	(1,346,009)
Business incubation	809,758	785,613	768,614	24,145	16,999
Angel fund investments	462,048	59,099	-	402,949	59,099
Program development and outreach	-	-	151,293	-	(151,293)
General administration	966,117	1,111,458	979,038	(145,341)	132,420
Total operating expenses	<u>21,647,937</u>	<u>17,104,007</u>	<u>16,803,879</u>	<u>4,543,930</u>	<u>300,128</u>
Net operating gain (loss)	343,423	1,476,945	(401,986)	(1,133,522)	1,878,931
Investment earnings	150,504	289,532	208,855	(139,028)	80,677
Increase (decrease) in net position	<u>\$ 493,927</u>	<u>\$ 1,766,477</u>	<u>\$ (193,131)</u>	<u>\$ (1,272,550)</u>	<u>\$ 1,959,608</u>
Total revenues	<u>\$ 22,141,864</u>	<u>\$ 18,870,484</u>	<u>\$ 16,610,748</u>	<u>\$ 3,271,380</u>	<u>\$ 2,259,736</u>

Analysis of Overall Financial Position and Results of Operations

TEDCO's revenues are derived primarily from federal and State operating grants, the Maryland Stem Cell Research Fund Grant, the Maryland Innovation Initiative, sponsorships and royalties, and investment earnings. TEDCO's revenues increased approximately 17% from \$18,870,484 as of June 30, 2012, to \$22,141,864 as of June 30, 2013. This increase was due to the increase in disbursements and revenue recognition of prior year appropriations for the Maryland Stem Cell Research Fund Grant and the Maryland Innovation Initiative program.

TEDCO's revenues increased approximately 14% from \$16,610,748 as of June 30, 2011, to \$18,870,484 as of June 30, 2012. This increase was primarily due to the increase in disbursements and revenue recognition of prior year appropriations for the Maryland Stem Cell Research Fund Grant.

TEDCO's Programs & Operations revenue (non-stem cell) from the State of Maryland decreased approximately 3% from \$3,273,192 as of June 30, 2012 to \$3,173,192 as of June 30, 2013.

TEDCO's Programs & Operations revenue (non-stem cell) from the State of Maryland decreased by approximately 5% from \$3,458,192 as of June 30, 2011, to \$3,273,192 as of June 30, 2012.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)

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

TEDCO's current assets increased approximately 31% from \$20,717,588 as of June 30, 2012, to \$27,115,356 as of June 30, 2013. This change was primarily due to monies received from the State of Maryland for the Maryland Innovation Initiative program. TEDCO received \$5,000,000 for the Maryland Innovation Initiative program from the State, of which \$2,845,761 was recognized as revenue in FY'13.

TEDCO's current assets decreased approximately 6% from \$22,021,314 as of June 30, 2011, to \$20,717,588 as of June 30, 2012. This change was primarily due to a decrease in accounts receivable netted with an increase in cash and cash equivalents as a result of receiving the FY'12 Stem Cell funding from the State prior to June 30, 2012. Stem Cell funding is recorded as revenue when TEDCO commits these funds and the funds are payable. During the year ended June 30, 2012, the State of Maryland granted TEDCO \$12,400,000 for Maryland Stem Cell research funding. These funds are committed for the next three years and will be recognized as revenue when payable. Stem Cell funding recognized as revenue for the year ended June 30, 2012 totaled \$12,800,601.

TEDCO's noncurrent assets decreased 11% from \$1,036,402 as of June 30, 2012, to \$918,073 as of June 30, 2013. This decrease was primarily due to the early payoff of the Wexford note held by TEDCO partially offset by the increase in noncurrent Technology Commercialization Fund Convertible notes.

TEDCO's noncurrent assets increased 9% from \$954,823 as of June 30, 2011, to \$1,036,402 as of June 30, 2012. This increase was primarily due to the increase of noncurrent notes receivable in the current year, resulting from the new Convertible Note Receivable for the MTTCF program.

TEDCO's current liabilities increased 39% from \$14,771,690 as of June 30, 2012, to \$20,564,909 as of June 30, 2013, primarily due to an increase in liabilities associated with unearned grant revenue from the Maryland Innovation Initiative program and an increase in grants payable (stem cell and other).

TEDCO's current liabilities decreased 17% from \$17,756,794 as of June 30, 2011, to \$14,771,690 as of June 30, 2012, primarily due to a decrease in liabilities associated with the Maryland Stem Cell Research Fund.

Operating expenses increased 27% from \$17,104,007 as of June 30, 2012, to \$21,647,937 as of June 30, 2013. This increase is primarily attributable to the increase in funding for the Maryland Innovation Initiative.

Operating expenses increased 2% from \$16,803,879 as of June 30, 2011, to \$17,104,007 as of June 30, 2012. This increase is primarily attributable to the increase in funding for the Maryland Stem Cell Research Fund Grant.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)

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

Net position increased 7% from \$6,894,899 as of June 30, 2012, to \$7,388,826 as of June 30, 2013. This increase is due to an increase in recognizing Stem Cell revenues netted against an increase in Stem Cell and Other Grants Payable.

Net position increased 34% from \$5,128,422 as of June 30, 2011, to \$6,894,899 as of June 30, 2012. This increase is primarily attributable to rescinded grants and royalty payments.

Description of Capital Asset and Long-Term Debt Activity

During fiscal year 2013, TEDCO purchased new presentation equipment for the conference room in the amount of \$6,860. Depreciation and amortization expense was \$11,585 for the year ended June 30, 2013.

During fiscal year 2012, TEDCO purchased a new server in the amount of \$5,120. Depreciation and amortization expense was \$9,589 for the year ended June 30, 2012.

TEDCO does not have any long-term debt.

Discussion of Currently Known Facts, Decisions, or Conditions

Fiscal Year 2014 State Operating Budget

TEDCO's State-approved fiscal year 2014 Program and Operating Budget will remain the same as fiscal year 2013 at \$3,173,192. This includes a pass-through of \$400,000 from TEDCO to the University System of Maryland (USM) to support USM's Maryland Industrial Partnerships Program (MIPS). In order to receive these funds, TEDCO entered into a Grant Agreement with the Maryland Department of Budget and Management. Under the agreement, TEDCO is to be paid in two installments. TEDCO subsequently entered into an Inter-agency Agreement with USM to pass through USM's MIPS funding in the same manner (two installments).

In addition, TEDCO received a State appropriation of \$10,400,000 for the Maryland Stem Cell Research Fund (the Fund) for fiscal year 2014. 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. The Maryland Stem Cell Commission (the Commission), established by the Maryland General Assembly, has established an independent scientific peer review committee composed of nationally-recognized scientific experts in the field of stem cell research. The Committee reviews, ranks, and rates research proposals for State-funded stem cell research based on procedures and guidelines established by the Commission, and in a manner that gives due consideration to the scientific, medical, and ethical implications of the research. The Committee will then make recommendations to the Commission, based on the ranking and ratings awarded to each research proposal according to its scientific merit. The Commission acts within TEDCO.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013 and 2012
(Unaudited)

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

Fiscal Year 2014 State Operating Budget (Continued)

Finally, the fiscal year 2014 appropriation includes \$5,000,000 for the Maryland Innovation Initiative (MII), a program established in 2013 designed to accelerate the rate of commercializing university-developed technologies in Maryland. The MII will partner with the University of Maryland-College Park, the University of Maryland-Baltimore, the University of Maryland-Baltimore County, Morgan State University and Johns Hopkins University. In addition to the \$5,000,000, each of the five Universities contributed into this program for a total additional \$800,000.

The total State appropriation to TEDCO for fiscal year 2014 is \$18,573,192, unchanged from fiscal year 2013.

Contacting TEDCO

Interested parties can contact TEDCO at 5565 Sterrett Place, Suite 214, Columbia, Maryland, 21044.

FINANCIAL STATEMENTS

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,351,081	\$ 13,652,252
Investments	6,395,506	6,359,090
Accounts receivable	14,250,421	397,626
Grants receivable	14,038	44,199
Current portion of notes receivable	50,408	147,393
Current portion of working capital loan fund	36,110	59,625
Prepaid expenses and other current assets	17,792	57,403
Total current assets	27,115,356	20,717,588
NONCURRENT ASSETS		
Investments	269,415	212,415
Notes receivable - noncurrent (net of allowance of \$1,089,754 for 2013 and \$279,749 for 2012)	566,396	679,692
Working capital loan fund (net of allowance of \$36,110 for 2013 and \$38,859 for 2012)	37,624	94,932
Deposits	20,769	20,769
Capital assets (net of accumulated depreciation and amortization of \$167,171 for 2013 and \$155,586 for 2012)	23,869	28,594
Total noncurrent assets	918,073	1,036,402
TOTAL ASSETS	\$ 28,033,429	\$ 21,753,990
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 653,056	\$ 188,376
Stem cell grants payable	14,009,335	12,645,217
Other grants payable	1,878,279	693,097
Unearned grant revenue	4,024,239	1,245,000
Total current liabilities	20,564,909	14,771,690
OTHER LIABILITIES		
Deferred rent	79,694	87,401
Total liabilities	20,644,603	14,859,091
NET POSITION		
Net investment in capital assets	23,869	28,594
Restricted for:		
Working Capital Loan Fund	73,734	154,557
Unrestricted	7,291,223	6,711,748
Total net position	7,388,826	6,894,899
TOTAL LIABILITIES AND NET POSITION	\$ 28,033,429	\$ 21,753,990

The accompanying notes are an integral part of the financial statements.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
State of Maryland grants		
Maryland stem cell research	\$ 14,524,520	\$ 12,800,601
Maryland innovative initiative	2,845,761	-
TEDCO Operations	<u>3,173,192</u>	<u>3,273,192</u>
Total State of Maryland grants	<u>20,543,473</u>	<u>16,073,793</u>
Federal grants	503,626	543,786
Sponsorships	77,396	96,993
Royalties	198,761	726,424
Other revenues	<u>668,104</u>	<u>1,139,956</u>
Total operating revenues	<u>21,991,360</u>	<u>18,580,952</u>
OPERATING EXPENSES		
Stem cell program	14,496,903	12,800,735
Tech transfer	4,913,111	2,347,102
Business incubation	809,758	785,613
Angel fund program	462,048	59,099
General administration	<u>966,117</u>	<u>1,111,458</u>
Total operating expenses	<u>21,647,937</u>	<u>17,104,007</u>
Net operating income	343,423	1,476,945
NONOPERATING REVENUES		
Investment earnings	<u>150,504</u>	<u>289,532</u>
INCREASE IN NET POSITION	493,927	1,766,477
NET POSITION, BEGINNING OF YEAR	<u>6,894,899</u>	<u>5,128,422</u>
NET POSITION, END OF YEAR	<u>\$ 7,388,826</u>	<u>\$ 6,894,899</u>

The accompanying notes are an integral part of the financial statements.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations	\$ 10,947,965	\$ 29,305,352
Cash paid for operations	(17,726,721)	(19,795,167)
Net cash provided by (used in) operating activities	(6,778,756)	9,510,185
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	6,434,508	1,601,721
Purchases of investments	(6,527,924)	(1,849,197)
Investment earnings	150,504	289,532
Working capital loan distributions	-	(50,000)
Working capital loan principal payments received	80,823	82,978
Advances of notes receivable	(1,247,483)	(560,691)
Payments on notes receivable	594,017	226,532
Purchases of property and equipment	(6,860)	(5,120)
Net cash used in investing activities	(522,415)	(264,245)
NET INCREASE (DECREASE) IN CASH	(7,301,171)	9,245,940
NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,652,252	4,406,312
NET CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 6,351,081	\$ 13,652,252
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net operating income	\$ 343,423	\$ 1,476,945
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,585	9,589
Provision for bad debt	863,747	287,624
Effects of changes in operating assets and liabilities:		
Accounts receivable	(13,852,795)	10,758,337
Grants receivable	30,161	(9,042)
Prepaid expenses and other current assets	39,611	(24,644)
Accounts payable and accrued expenses	464,680	(76,990)
Stem cell grants payable	1,364,118	(1,912,475)
Grants payable	1,185,182	(970,744)
Unearned grant revenue	2,779,239	(24,895)
Deferred rent	(7,707)	(3,520)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (6,778,756)	\$ 9,510,185

The accompanying notes are an integral part of the financial statements.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Accounting

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

TEDCO prepares its financial statements using the "economic resources" measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB). Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Accounts Receivable

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

Grants Receivable

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

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

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable (Continued)

The allowance for uncollectible amounts is increased by charges to bad debts expense and decreased by charge offs of the grants receivable balances. Grants receivable are considered past due when no payments have been received by their contractual due dates, varying with different grantors. Grants receivable are charged off based on management's case-by-case determination that they are uncollectible. TEDCO expects its grants receivable to be fully realized and has not recorded an allowance for uncollectible amounts for the years ended June 30, 2013 and 2012.

Notes Receivable

TEDCO provides funding to various borrowers from its Maryland Technology Transfer & Commercialization Fund. The funds are used by the borrowers to develop and commercialize new technology services and products. 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 debts 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, 2013 and 2012, TEDCO determined the allowance for doubtful accounts to be \$1,151,371 and \$287,624, respectively.

Working Capital Loan Fund

TEDCO provides funding to various borrowers from its Working Capital Loan Fund. The funds are used by the borrowers as working capital in the operations of their respective technology businesses. TEDCO reports these loans 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 loans receivable loss experience, known and inherent risks in the loans receivable population, adverse situations that may affect a borrower's ability to pay, and current economic conditions.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Working Capital Loan Fund (Continued)

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the loans receivable balances. Loans receivable are considered past due when no payments have been received by their contractual due dates, varying with different borrowers. Loans receivable are charged off based on management's case-by-case determination that they are uncollectible. As of June 30, 2013 and 2012, TEDCO determined the allowance for doubtful accounts to be \$36,110 and \$38,859, respectively.

During the year ended June 30, 2012, TEDCO stopped offering the Working Capital Loan Fund program.

Investments

Investments consist of certificates of deposit, government securities mutual funds and certain equity securities.

TEDCO, through the Maryland Technology Transfer and Commercialization Fund program, has made certain equity investments in companies to assist them in collaborating with Maryland colleges and universities or federal laboratories located in Maryland to develop and commercialize new services and products. In order to reimburse TEDCO for its initial investment, the arrangement allows each of these companies, 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. These investments are recorded at cost which approximates fair value.

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

Deposits

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

Capital Assets

Capital assets are recorded at cost. Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the respective assets (10 years for leasehold improvements and 3 years for all other capital assets). All purchases of individual capital assets over \$1,000 with a useful life greater than one year are capitalized. Computer software purchases are recorded as capital assets and depreciated based on the useful life of the asset. TEDCO does not have any internally developed software.

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

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Grant Revenue

Unearned grant revenue results from unexpended federal and non-federal grant advances. TEDCO recognizes grant revenue when related expenses are incurred. Certain unexpended federal and non-federal grant advances are considered restricted until recognized as grant revenue. As of June 30, 2013 and 2012, unearned grant income consisted of \$2,954,239 and \$0, respectively, for the Maryland Innovation Initiative program, \$970,000 for the Incubator Development Fund for both years, and \$100,000 and \$275,000, respectively, for the Johnson & Johnson grant.

Deferred Rent

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

Revenue Recognition

Revenues are recognized when earned. The State of Maryland has granted TEDCO an operating grant of \$3,173,192 and \$3,273,192 for the years ended June 30, 2013 and 2012, respectively.

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

Stem cell funding is recorded as revenue when TEDCO commits these funds and the funds are payable. During the years ended June 30, 2013 and 2012, the State of Maryland granted TEDCO \$10,400,000 and \$12,400,000, respectively, for Maryland Stem Cell Research. These funds are committed for the next three years and will be recognized as revenue as they are earned. Stem cell funding recognized as revenue for the years ended June 30, 2013 and 2012 totaled \$14,524,520 and \$12,800,601, respectively.

Functional Expenses

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

TEDCO distinguishes operating revenues and expenses from non-operating 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.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Concentration

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

Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and are evaluated at least annually. Recoverability of the long-lived asset is measured by comparing the carrying amount of the asset to future estimated undiscounted net cash flows expected to be generated by the asset. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying value amount or fair value, less costs to sell. Management of TEDCO believes the value of long-lived assets exceeds their carrying value as of June 30, 2013.

Reclassifications

Certain amounts in 2012 have been reclassified to conform with the 2013 presentation. The reclassifications did not affect total net position or changes therein.

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

	<u>2013</u>	<u>2012</u>
Deposits with financial institutions	\$ 5,830,296	\$ 13,222,736
Money market funds	520,785	429,516
Total	<u>\$ 6,351,081</u>	<u>\$ 13,652,252</u>

Investments as of June 30, consisted of the following:

	<u>2013</u>	<u>2012</u>
Certificates of deposit	\$ 4,831,269	\$ -
Government securities mutual funds	1,564,237	6,359,090
Equity securities	269,415	212,415
Total	<u>\$ 6,664,921</u>	<u>\$ 6,571,505</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, TEDCO's deposits 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.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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

Custodial Credit Risk (Continued)

At June 30, 2013, the carrying amount of TEDCO's deposits was \$6,162,959 and the corresponding bank balances were \$13,574,422. The difference between the carrying value on the Statement of Net Position and the underlying bank balances is due to outstanding checks and deposits in transit at June 30, 2013. Of the bank balances, \$250,000 was covered by Federal Depository Insurance and \$13,325,422 was covered by collateral held in the pledging bank's trust department in TEDCO's name.

Concentration of Credit Risk

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

As of June 30, 2013 and 2012, 72% and 0%, respectively, of TEDCO's investments are allocated to certificates of deposits and 23% and 97%, respectively, are allocated to government securities mutual funds. Another 4% and 3%, respectively, is allocated to certain investments in preferred stock of three different companies (see Note 1, Investments)..

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. Investments subject to interest rate risk consist of mutual funds which have no determinable maturity date. At June 30, 2013 and 2012, the maturities of the securities that will mature were limited according to the following segmented time distribution:

<u>Investment Type</u>	<u>2013</u>		
	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 1</u>	<u>1 - 5</u>
Certificates of deposit	\$ 4,831,269	\$ 1,243,037	\$ 3,588,232
Government securities mutual funds	1,564,237	-	1,564,237
Totals	<u>\$ 6,395,506</u>	<u>\$ 1,243,037</u>	<u>\$ 5,152,469</u>

<u>Investment Type</u>	<u>2012</u>		
	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>	
		<u>Less than 1</u>	<u>1 - 5</u>
Government securities mutual funds	\$ 6,359,090	-	\$ 6,359,090

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

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

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. As of June 30, 2013, all of TEDCO's government securities mutual funds invest in U.S. Government securities and in repurchase agreements collateralized by such securities.

The government securities mutual funds held by TEDCO invest at least 80% of net position in securities issued or guaranteed by the U.S. government, its agencies, instrumentalities or sponsored enterprises. The underlying investments in these funds are AAA rated. The money market funds included in cash and cash equivalents have not been credit rated.

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

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

At June 30, 2013 and 2012, TEDCO had the following investments and ratings:

<u>Investment Type and Fair Value</u>	<u>2013</u>	
	<u>AAA</u>	<u>Not Rated</u>
Certificates of deposit	\$ -	\$ 4,831,269
Government securities mutual funds	<u>1,564,237</u>	<u>-</u>
Totals	<u>\$ 1,564,237</u>	<u>\$ 4,831,269</u>
	<u>2012</u>	
<u>Investment Type and Fair Value</u>	<u>AAA</u>	<u>Not Rated</u>
Government securities mutual funds	\$ 6,359,090	\$ -
Totals	<u>\$ 6,359,090</u>	<u>\$ -</u>

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 – NOTES RECEIVABLE

TEDCO has a note receivable due from UMB Health Sciences Research Park Corporation. This is a non-interest bearing note with an original balance of \$1,000,000 at December 2007, and calls for quarterly principal payments of \$25,000 through November 1, 2017. The balance due was paid in May 2013. At June 30, 2013 and 2012, the principal balance is \$0 and \$550,000, respectively.

In February 2011, TEDCO obtained a note receivable due from Mobio Identify Systems (Mobio). The agreement calls for a \$30,550 payment due within 5 days after Mobio acquires Cryptotex, and additional payments of \$20,000 are due every 90 days thereafter. At June 30, 2013 and 2012, the principal balance was \$0 and \$20,018, respectively.

In October 2011, TEDCO obtained a note receivable due from AudioEye, Inc. This is a non-interest bearing note with an original balance of \$149,800 and calls for monthly principal payments of \$2,000 through January 2018. At June 30, 2013 and 2012, the principal balance was \$109,800 and \$133,800, respectively.

During the year ended June 30, 2012, TEDCO began obtaining convertible promissory notes in exchange for TEDCO's agreement to invest in various companies. The convertible promissory notes do not have set repayment terms, but accrue interest at a rate of 8% on the unpaid principal balance until the maturity date, 5 years after the date of the note. Upon the occurrence of any deemed conversion event, TEDCO has the sole discretion to accelerate amounts due under the note or exchange the entire outstanding principal amount, together with accrued interest, for an equity investment in the Company. At June 30, 2013 and 2012, the total balance outstanding on these convertible promissory notes is \$1,644,817 and \$410,891, which includes accrued interest of \$88,025 and \$11,250, respectively.

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

	<u>2013</u>	<u>2012</u>
Convertible promissory notes principal advanced	\$ 1,556,792	\$ 399,641
Convertible promissory notes interest accrued	88,025	11,250
Allowance for uncollectible balances	<u>(1,151,371)</u>	<u>(287,624)</u>
Subtotal - convertible promissory notes	<u>493,446</u>	<u>123,267</u>
UMB Health Science Research Park Corporation	-	550,000
Propel Baltimore	13,558	-
Mobio Identify Solutions	-	20,018
AudioEye, Inc.	<u>109,800</u>	<u>133,800</u>
Total notes receivable	<u>\$ 616,804</u>	<u>\$ 827,085</u>
Notes receivable - current	\$ 50,408	\$ 147,393
Notes receivable - noncurrent	<u>566,396</u>	<u>679,692</u>
Total	<u>\$ 616,804</u>	<u>\$ 827,085</u>

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 – CAPITAL ASSETS

Changes in components of capital assets are summarized as follows for the year ended June 30, 2013:

	<u>Balance, July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2013</u>
Capital assets being depreciated:				
Computer equipment	\$ 99,464	\$ 6,860	\$ -	\$ 106,324
Software	52,167	-	-	52,167
Office furniture	6,704	-	-	6,704
Leasehold improvements	<u>25,845</u>	<u>-</u>	<u>-</u>	<u>25,845</u>
Total assets	<u>184,180</u>	<u>6,860</u>	<u>-</u>	<u>191,040</u>
Accumulated depreciation and amortization:				
Computer equipment	83,179	9,000	-	92,179
Software	52,169	-	-	52,169
Office furniture	6,704	-	-	6,704
Leasehold improvements	<u>13,534</u>	<u>2,585</u>	<u>-</u>	<u>16,119</u>
Total accumulated depreciation and amortization	<u>155,586</u>	<u>11,585</u>	<u>-</u>	<u>167,171</u>
Net book value	<u>\$ 28,594</u>	<u>\$ (4,725)</u>	<u>\$ -</u>	<u>\$ 23,869</u>

Changes in components of capital assets are summarized as follows for the year ended June 30, 2012:

	<u>Balance, July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2012</u>
Capital assets being depreciated:				
Computer equipment	\$ 94,344	\$ 5,120	\$ -	\$ 99,464
Software	52,167	-	-	52,167
Office furniture	6,704	-	-	6,704
Leasehold improvements	<u>25,845</u>	<u>-</u>	<u>-</u>	<u>25,845</u>
Total assets	<u>179,060</u>	<u>5,120</u>	<u>-</u>	<u>184,180</u>
Accumulated depreciation and amortization:				
Computer equipment	76,894	6,285	-	83,179
Software	51,450	719	-	52,169
Office furniture	6,704	-	-	6,704
Leasehold improvements	<u>10,949</u>	<u>2,585</u>	<u>-</u>	<u>13,534</u>
Total accumulated depreciation and amortization	<u>145,997</u>	<u>9,589</u>	<u>-</u>	<u>155,586</u>
Net book value	<u>\$ 33,063</u>	<u>\$ (4,469)</u>	<u>\$ -</u>	<u>\$ 28,594</u>

The depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$11,585 and \$9,589, respectively. This amount is included in general administration under Operating Expenses on the Statement of Revenues, Expenses and Changes in Net Position.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 – 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, 2013 and 2012, TEDCO made an 8% contribution of each employee's base compensation. Contract employees do not contribute to this Plan.

Contribution expense for the Plan was \$106,117 and \$103,995 for the years ended June 30, 2013 and 2012, respectively, which is allocated among programs and general administration expenses in the Statement of Revenues, Expenses, and Changes in Net Position.

NOTE 6 – OPERATING LEASE

TEDCO has a 10-year agreement for office space, which expires on August 31, 2017. The lease requires minimum annual rentals of \$124,614 (base rent) increasing to approximately \$163,000 by the year 2017, plus a pro-rata share of increases in operating expenses and real estate taxes, as defined in the lease agreement.

Future minimum lease payments for this operating lease are as follows:

Years ending June 30,		
2014	\$	148,073
2015		152,516
2016		157,091
2017		161,804
2018		<u>27,099</u>
Total	\$	<u>646,583</u>

Total lease expense was \$139,386 and \$144,106 for the years ended June 30, 2013 and 2012, respectively.

NOTE 7 – INCOME TAXES

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

NOTE 8 – RELATED PARTIES

A Board member of TEDCO is also the CEO of a company in which TEDCO has an equity investment. The investment comprises 1% of TEDCO's investments and TEDCO has a 2% and 3% ownership interest in the Company at June 30, 2013 and 2012, respectively.

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
NOTES TO FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 9 – 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, 2013 and 2012, TEDCO carried insurance through various commercial carriers to cover such risks of loss. TEDCO has had no settled claims resulting from these risks that exceeded its commercial insurance coverage in any of the prior three fiscal years.

NOTE 10 – RISKS AND UNCERTAINTIES

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

NOTE 11 – SUBSEQUENT EVENTS

Management evaluated subsequent events through September 18, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to September 18, 2013, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2013. No such subsequent events have been recorded in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
SCHEDULE OF GOVERNMENTAL ACTIVITIES
Year Ended June 30, 2013

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Operating Grants</u>	<u>Sponsorships and Royalties</u>	
Stem cell program	\$ 14,496,903	\$ 14,524,520	\$ 32,500	\$ 60,117
Tech transfer	4,913,111	5,063,169	179,018	329,076
Business incubation	809,758	355,318	64,639	(389,801)
Angel fund investments	462,048	-	-	(462,048)
General administration	<u>966,117</u>	<u>1,104,092</u>	<u>-</u>	<u>137,975</u>
Total	<u>\$ 21,647,937</u>	<u>\$ 21,047,099</u>	<u>\$ 276,157</u>	<u>(324,681)</u>
General revenues				
				668,104
				<u>150,504</u>
				818,608
				493,927
				<u>6,894,899</u>
				<u>\$ 7,388,826</u>

MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION
A Component Unit of the State of Maryland
SCHEDULE OF GOVERNMENTAL ACTIVITIES
Year Ended June 30, 2012

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Change in Net Position</u>
		<u>Operating Grants</u>	<u>Sponsorships and Royalties</u>	
Stem cell program	\$ 12,800,735	\$ 12,800,601	\$ 20,000	\$ 19,866
Tech transfer	2,347,102	2,321,045	668,535	642,478
Business incubation	785,613	609,180	134,882	(41,551)
Angel fund investments	59,099	-	-	(59,099)
General administration	<u>1,111,458</u>	<u>886,753</u>	<u>-</u>	<u>(224,705)</u>
Total	<u>\$ 17,104,007</u>	<u>\$ 16,617,579</u>	<u>\$ 823,417</u>	<u>336,989</u>
General revenues				
				1,139,956
				<u>289,532</u>
				1,429,488
				<u>1,766,477</u>
				<u>5,128,422</u>
				<u>\$ 6,894,899</u>