

CONNECTICUT BIOSCIENCE INNOVATION FUND
(A FUND OF THE STATE OF CONNECTICUT)

FINANCIAL STATEMENTS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS
AND INDEPENDENT AUDITOR’S REPORT

YEARS ENDED JUNE 30, 2022 AND 2021

CONNECTICUT BIOSCIENCE INNOVATION FUND

FINANCIAL STATEMENTS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS
AND INDEPENDENT AUDITOR’S REPORT

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Connecticut Innovations, Incorporated:

Connecticut Bioscience Innovation Fund
New Haven, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Connecticut Bioscience Innovation Fund (the Fund), a fund of the State of Connecticut, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Bioscience Innovation Fund, as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Connecticut Bioscience Innovation Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions specified in accordance with specific statutes within the State of Connecticut General Statutes, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of specific statutes of the State of Connecticut General Statutes referred to above. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Connecticut Bioscience Innovation Fund and do not purport to, and do not, present fairly the financial position of the State of Connecticut, as of June 30, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Connecticut Bioscience Innovation Fund as of June 30, 2021 were audited by other auditors whose report dated March 21, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of specific statutes within the State of Connecticut General Statutes, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matter

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, on our consideration of the Fund’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund’s internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of the board of directors of Connecticut Innovations, Incorporated and management of Connecticut Bioscience Innovation Fund, and is not intended to be and should not be used by anyone other than those specified parties.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
February 28, 2023

CONNECTICUT BIOSCIENCE INNOVATION FUND

STATEMENTS OF NET POSITION – STATE OF
CONNECTICUT GENERAL STATUTES BASIS

JUNE 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------|--------------------------|
| <u>ASSETS:</u> | | |
| CURRENT ASSETS: | | |
| Due from Connecticut Innovations, Incorporated | \$ 465,206 | \$ 640,802 |
| TOTAL CURRENT ASSETS | <u>465,206</u> | <u>640,802</u> |
| NONCURRENT ASSETS: | | |
| Portfolio investments | <u>55,176,987</u> | <u>47,621,989</u> |
| TOTAL NONCURRENT ASSETS | <u>55,176,987</u> | <u>47,621,989</u> |
| TOTAL ASSETS | <u>\$ 55,642,193</u> | <u>\$ 48,262,791</u> |
| <u>LIABILITIES:</u> | | |
| Deferred interest income | \$ 2,265,087 | \$ 924,284 |
| TOTAL LIABILITIES | <u>2,265,087</u> | <u>924,284</u> |
| <u>NET POSITION:</u> | | |
| Restricted for Bioscience Programs | <u>53,377,106</u> | <u>47,338,507</u> |
| TOTAL NET POSITION | <u>53,377,106</u> | <u>47,338,507</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 55,642,193</u> | <u>\$ 48,262,791</u> |

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

CONNECTICUT BIOSCIENCE INNOVATION FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION – STATE OF CONNECTICUT
GENERAL STATUTES BASIS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| OPERATING REVENUES: | | |
| Connecticut Public Act 13-239 bonding | \$ 23,000,000 | \$ 15,500,000 |
| Realized and unrealized loss on investments, net | (15,281,013) | (5,832,679) |
| Interest income | 260 | 89 |
| TOTAL OPERATING REVENUES | <u>7,719,247</u> | <u>9,667,410</u> |
| OPERATING EXPENSES: | | |
| Grants | 249,518 | 695,000 |
| Administrative fee | 1,150,000 | 775,000 |
| Other | 281,130 | 252,540 |
| TOTAL OPERATING EXPENSES | <u>1,680,648</u> | <u>1,722,540</u> |
| CHANGE IN NET POSITION | 6,038,599 | 7,944,870 |
| NET POSITION - BEGINNING OF YEAR | <u>47,338,507</u> | <u>39,393,637</u> |
| NET POSITION - END OF YEAR | <u>\$ 53,377,106</u> | <u>\$ 47,338,507</u> |

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

CONNECTICUT BIOSCIENCE INNOVATION FUND

STATEMENTS OF CASH FLOWS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Connecticut Public Act 13-239 bonding | \$ 23,000,000 | \$ 15,500,000 |
| Purchase of investments | (22,474,913) | (14,760,634) |
| Grants disbursed | (249,518) | (695,000) |
| Administrative fees | (1,150,000) | (775,000) |
| Other expenses | (281,130) | (252,540) |
| Interest income | 260 | 89 |
| Return of principal on investments | 979,705 | 1,470,809 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>(175,596)</u> | <u>487,724</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Funding transferred from (to) | | |
| Connecticut Innovations, Incorporated | 175,596 | (487,724) |
| NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES | <u>175,596</u> | <u>(487,724)</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | - | - |
| CASH AND CASH EQUIVALENTS - BEGINNING | - | - |
| CASH AND CASH EQUIVALENTS - ENDING | <u>\$ -</u> | <u>\$ -</u> |
| RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Change in net position | \$ 6,038,599 | \$ 7,944,870 |
| Adjustments to reconcile change in net position to net cash provided by (used in) operating activities: | | |
| Realized and unrealized loss on investments | 15,281,013 | 5,832,679 |
| Return of principal on investments | 979,705 | 1,470,809 |
| Purchase of investments | (22,474,913) | (14,760,634) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>\$ (175,596)</u> | <u>\$ 487,724</u> |

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

CONNECTICUT BIOSCIENCE INNOVATION FUND

NOTES TO FINANCIAL STATEMENTS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations:

On July 1, 2013, the State of Connecticut (the State) passed Public Act 13-239 (the Act) creating the Connecticut Bioscience Innovation Fund (CBIF or the Fund). CBIF was established to finance projects to improve the delivery of health care services, lower health care costs, and directly or indirectly create bioscience jobs. The projects can involve improvements or developments in services, therapeutics, diagnostics, and devices in pharmaceuticals, bioscience, biomedical engineering, medical care, medical devices, medical diagnostics, personalized medicine, health information management, and other related disciplines.

The legislation created a thirteen-member Bioscience Innovation Advisory Committee (the Committee) to administer CBIF's affairs. The Committee is comprised of four persons appointed by the Governor of Connecticut, one appointed by the president pro tempore of the Connecticut State Senate (Senate), one appointed by the speaker of the Connecticut House of Representatives (House), one appointed by the majority leader of the Senate, one appointed by the minority leader of the Senate, one appointed by the minority leader of the House, the Commissioner of Economic and Community Development and the Commissioner of Public Health (or their designees), and the chief executive officer and executive director of Connecticut Innovations, Incorporated (CII).

Nonprofit corporations, accredited colleges and universities, and for-profit start-up or early-stage businesses can propose projects. Early stage businesses are those that have been operating for no more than three years and are developing or testing a product or service that is not yet available for commercial release or available only in a limited manner, including clinical trials or market testing of prototypes.

CBIF can provide assistance in the form of grants, equity investments, and secured convertible loans. Eligible recipients can use this assistance to pay for facilities; necessary furniture, fixtures, and equipment; materials and supplies; peer reviews; proof of concept or relevance; compensation; and other costs the Committee approves (see below).

CII, a related party, is a separate component unit of the State of Connecticut. CII is charged with managing the Fund's assets; and, on-behalf of CBIF, provides financial assistance to eligible recipients; and prepare the Fund's annual plan, budget, and report. By law, unchanged by the act, CII will provide different types of financial assistance, including equity investments to businesses developing a wide range of technology-based products, techniques, and services.

CONNECTICUT BIOSCIENCE INNOVATION FUND

NOTES TO FINANCIAL STATEMENTS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), as prescribed by the Governmental Accounting Standards Board (GASB), as outlined in the Connecticut General Statutes, Chapter 34 – Comptroller, Sec. 3-115b – Generally accepted accounting principles, except for the Fund’s accounting for its investment portfolio. The valuation and presentation of the investments in the accompanying financial statements have been prepared in accordance with specific general statutes outlined in Connecticut General Statutes, Title 32 – Commerce and Economic and Community Development, Chapter 581 – Innovation Capital Act of 1989, Connecticut Innovations, Incorporated, Section 32-41aa – Connecticut Bioscience Innovation Fund (collectively referred to as, State of Connecticut General Statutes Basis). Accordingly, the Fund values all investments at the lower of cost-or-market as any returns on investments in excess of original cost is deemed unrestricted funds of CII as administrator. The significant difference between the State of Connecticut General Statutes basis and US GAAP is that under US GAAP, investments are valued at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Fund’s financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows.

Reporting Entity:

The financial statements of the Connecticut Bioscience Innovation Fund of the State of Connecticut are intended to present the financial position, and the changes in financial position and cash flows that are attributable to the transactions of the Connecticut Bioscience Innovation Fund. They do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2022 and 2021 or the changes in the State of Connecticut’s financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Fund has not presented a management’s discussion and analysis (“MD&A”) in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus* because Management believes the focus of an MD&A is on a primary government. The State of Connecticut, the primary government, will provide an MD&A in its annual report that will include analysis of the Fund.

CONNECTICUT BIOSCIENCE INNOVATION FUND

NOTES TO FINANCIAL STATEMENTS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Bond Authorizations:

The Act capitalizes the Fund by authorizing up to \$204 million in state general obligation bonds, as shown below. Any issuance costs and capitalized interest may be added to the annual authorizations. If the Committee does not use all or part of the maximum amount in a fiscal year, that amount is added to the following year's authorization.

Authorizations according to the Act are as follows:

For the year ending June 30,

| | |
|------|-----------------------|
| 2013 | \$ 10,000,000 |
| 2014 | 10,000,000 |
| 2015 | 15,000,000 |
| 2016 | 15,000,000 |
| 2017 | - |
| 2018 | 15,000,000 |
| 2019 | 15,000,000 |
| 2020 | 25,000,000 |
| 2021 | 25,000,000 |
| 2022 | 25,000,000 |
| 2023 | 25,000,000 |
| 2024 | <u>24,000,000</u> |
| | <u>\$ 204,000,000</u> |

At June 30, 2022 and 2021, \$75,200,000 and \$98,200,000 of bond funding remained available to be drawn by CBIF.

Bond Commission Approval:

The Act requires CII to enter into a memorandum of understanding (MOU) with the Office of Policy and Management (OPM) secretary and state treasurer regarding the bond issuance, including the extent to which federal, private, and other available funds should be added to the bond proceeds. The bond commission must approve the MOU, which satisfies the standard approval requirements under the State General Obligation Bond Procedure Act. The Act deems the principal amount of the authorized bonds to be an appropriation and allocation of the bond amounts. The bonds are subject to standard statutory conditions. Funds are not recorded as operating revenue under CT Public Act 13-239 until they have been requested and approved by the State of Connecticut for disbursement.

CONNECTICUT BIOSCIENCE INNOVATION FUND

NOTES TO FINANCIAL STATEMENTS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

CII's Fund Administration Duties:

Besides managing CBIF's assets and providing financial assistance, CII also provides staff, office space, systems, and administrative support needed to do so. In administering the Fund, CII may use any of its statutory powers as the State's venture capital and technology innovation arm (e.g., enter into agreements providing financial assistance for marketing new and innovative services based on the use of specific technologies, products, techniques, services, or processes).

Beginning January 1, 2014, CII must prepare, on behalf of CBIF, an annual operations plan and operating and capital budgets for each fiscal year. CII must submit these documents to the Committee for review and approval no later than 90 days before the fiscal year begins.

CII is allowed to recover its administrative costs from the Fund's assets (5% of each amount paid to CBIF by the State of Connecticut). In addition, CII will receive all interest repayments, income, and earnings or return on investment realized in excess of original cost.

Operating Revenue (Expense):

Operating revenues consist primarily of bonding allocations that are authorized pursuant to the Act and revenue generated in connection with investments (including investment gains and losses from portfolio investments). Operating expenses consist of grants disbursed on behalf of the Fund, the administrative fee paid to CII, and marketing expenses.

Use of Estimates:

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America, except for the estimates and assumptions management uses for the valuation of the Fund's investment portfolio. Those estimates and assumptions affect certain reported amounts and disclosures in the financial statements. The most significant estimate is the determination of value of its investments that are not publicly traded, which are prepared in accordance with the State of Connecticut General Statutes basis. Actual results could vary from the estimates that were used.

Use of Restricted versus Non-Restricted Resources:

When both restricted and unrestricted amounts are available for use, the policy is to use restricted resources for their intended purposes first and then unrestricted resources.

Portfolio Investments, Valuations, and Grants:

As set forth in the statutes, CBIF assistance can be provided through grants, equity investments, and secured convertible loans. At June 30, 2022, CBIF's portfolio investments consisted of 37 convertible loans and 36 equity investments. At June 30, 2021, CBIF's portfolio investments consisted of 33 convertible loans and 43 equity investments.

CONNECTICUT BIOSCIENCE INNOVATION FUND

NOTES TO FINANCIAL STATEMENTS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Portfolio Investments, Valuations, and Grants (continued):

All of CBIF's investments are uninsured, unregistered and held by CBIF in CBIF's name. Investments in the form of debt instruments are secured by the underlying assets and intellectual property of the borrower and bear interest at rates ranging from 7% to 20% per annum.

The debt instruments provide for a maximum borrowing amount, with funding provided in tranches, based on the borrower meeting certain milestones determined on a case-by-case basis.

During the fiscal year ended June 30, 2022, the Committee approved 13 debt financing investments totaling \$6,075,000, CBIF funded \$6,725,000 of debt financing investments and CBIF had \$1,875,137 remaining of approved unfunded commitments. During the fiscal year ended June 30, 2021, the Committee approved 22 debt financing investments totaling \$3,960,000, CBIF funded \$2,671,000 of debt financing investments and CBIF had \$2,525,137 remaining of approved unfunded commitments.

During the fiscal year ended June 30, 2022, the Committee approved 26 equity investments totaling \$21,381,000, CBIF funded \$15,749,913 of equity investments and CBIF had \$5,631,087 remaining of approved unfunded commitments based on terms sheets. During the fiscal year ended June 30, 2021, the Committee approved 7 equity investments totaling \$7,450,000, CBIF funded \$12,089,634 of equity investments and CBIF had \$9,129,995 remaining of approved unfunded commitments based on terms sheets.

CBIF values all investments at the lower of cost-or-market because any return on investment realized in excess of original cost is deemed unrestricted funds of CII as administrator. Market is defined as the price that refers to the replacement cost of the investment. The valuation for other than publicly traded securities is determined by the CII Chief Financial Officer after an internal review process and incorporating the advice of an independent valuation consultant using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group (PEIGG). Consideration is given to pertinent information about the companies comprising these investments, including, but not limited to, recent sales and purchase prices of the issuer's securities, sales growth, progress toward business goals and other operating data. CBIF has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate. Due to the inherent uncertainty of such valuations, those estimated values may differ significantly from the amounts ultimately realized from the investments, and the differences could be material.

CBIF grants provide for a maximum grant amount, with funding to be provided in tranches, based on the grantee meeting certain milestones determined on a case-by-case basis. During the fiscal year ended June 30, 2022, no new additional grants were approved, \$249,518 of previously-approved grants were funded and \$859,454 remained to be funded based on the terms of the original grant agreements.

CONNECTICUT BIOSCIENCE INNOVATION FUND

NOTES TO FINANCIAL STATEMENTS – STATE OF
CONNECTICUT GENERAL STATUTES BASIS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued):

Portfolio Investments, Valuations, and Grants (continued):

During the fiscal year ended June 30, 2021, three grants totaling \$770,717 were approved by CBIF, \$695,000 of previously-approved grants funded and \$1,108,972 remained to be funded based on the terms of the original grant agreements. If the grantee does not meet the performance requirements, unfunded amounts will not be earned and therefore, not paid by CBIF.

Net Position:

Net position of the Fund is presented in the one category of restricted funds for bioscience programs. Funding is provided by CII through the authorization of state general obligation bonds. This funding from CII is restricted for use of the Fund's assistance to bioscience projects, through the form of grants, equity instruments and secured convertible loans.

Subsequent Events:

Management has evaluated subsequent events through February 28, 2023, the date which the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements have been identified.

NOTE 2 – DUE FROM CONNECTICUT INNOVATIONS, INCORPORATED:

During the fiscal years 2022 and 2021, the State of Connecticut transferred \$23,000,000 and \$15,500,000, respectively, into a CII bank account on behalf of CBIF. As allowable by legislation, during the fiscal years 2022 and 2021, CI deducted \$1,150,000 and \$775,000, respectively, for administrative costs and then disbursed the rest of the funds for CBIF to purchase investments, provide grants, and pay for program expenses.

As of June 30, 2022 and 2021, amounts due from CII were \$465,206 and \$640,802, respectively, which represent the amount of cash held for CBIF by CII as administrator. These amounts are legally held in separate bank accounts and restricted by CII, for CBIF use only. Cash activity related to the separate bank accounts are shown in the accompanying statements of cash flows.

NOTE 3 – INVESTMENTS:

The following is a break-out of investments as of June 30:

| | <u>2022</u> | <u>2021</u> |
|--------|----------------------|----------------------|
| Equity | \$ 46,176,184 | \$ 41,574,133 |
| Debt | <u>9,000,803</u> | <u>6,047,856</u> |
| | <u>\$ 55,176,987</u> | <u>\$ 47,621,989</u> |

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the Connecticut Innovations, Incorporated:

Connecticut Bioscience Innovation Fund
New Haven, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Connecticut Bioscience Innovation Fund (the Fund), a fund of the State of Connecticut, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated February 28, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahoney Sabol + Company, LLP

Certified Public Accountants
Glastonbury, Connecticut
February 28, 2023