CONNECTICUT INNOVATIONS, INCORPORATED
(A Component Unit of the State of Connecticut)

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2015

CONNECTICUT INNOVATIONS, INCORPORATED

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Innovations, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Connecticut Innovations, Incorporated (CI) (a component unit of the State of Connecticut), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise CI'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 State 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 an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit 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 auditor's 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 CI'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 CI'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Innovations, Incorporated, as of June 30, 2015, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Method of Accounting for Pensions

As described in Note 2 to the financial statements, CI changed its method for accounting and financial reporting for pensions as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Report Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent To the Measurement Date – an Amendment of GASB Statement No. 68*, both effective July 1, 2014. Our opinion is not modified with respect to this matter.

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 4-9 be presented to supplement the basic financial statements. Accounting principles generally accepted in the United States of America also require that the schedule of the corporation's proportionate share of the net pension liability and schedule of the corporation's contributions to the State Employees' Retirement System as listed in the table of contents 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 them to be an essential part of the 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2015 on our consideration of the CI'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 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 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 CI's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT
November 23, 2015

CONNECTICUT INNOVATIONS, INCORPORATED

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) provides an overview of Connecticut Innovations, Incorporated's (CI) financial performance for the fiscal year ended June 30, 2015. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements, notes to financial statements, Report on Compliance and related schedules included in the "Financial Statements" section of this report.

FINANCIAL STATEMENTS PRESENTED IN THIS REPORT

CI is a quasi-public agency of the State of Connecticut created to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovation and inventions or markets in Connecticut by providing financial and technical assistance using risk capital. In addition the operations of Connecticut Development Authority (CDA) which was established under Title 32, Chapter 579 of the General Statutes of Connecticut as amended (Statute), were transferred to CI pursuant to Section 147 to 189 of Public Act No. 12-1, Bill 6001. The operations transferred from CDA which now continue as part of CI were created to stimulate industrial and commercial development within the State. The incorporation of CDA into CI is a vertical extension of the overall economic reach of CI. CI activities are accounted for as an enterprise fund using the accrual basis of accounting, similar to a private business entity.

The financial statements include: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides a measure of CI's economic resources. The Statement of Revenues, Expenses and Changes in Net Position measure the transactions for the period presented and the impact of those transactions on the resources of CI. The Statement of Cash Flows reconcile the changes in cash and cash equivalents with the activities of CI for the period presented. The activities are classified as to operating, capital, investing and noncapital financing.

These financial statements and notes thereto and discussion reflect a tremendously broader and more diverse business model than CI has had in previous years. In addition to the merger with CDA, other initiatives include the establishment of a bioscience cluster anchored by Jackson Laboratories in Farmington, CT, an increased roll in support of stem cell research, the introduction of the CT Bioscience Investment Fund, and a leading financial and managerial role in support of the entire entrepreneurial community in Connecticut.

Notes to the financial statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

Financial Highlights of Fiscal 2015

Net Position

Total assets exceeded total liabilities by $181.2 million at June 30, 2015. Net assets totaling $165.7 million are unrestricted. Net assets totaling $15.2 million are restricted in accordance with revenue and general obligation bond indentures as well as for cash reserves principally for specific revenue or general obligation bonds, as well as cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties. The portion of the corporation's net position invested in capital assets, net of related debt total $341 thousand. In total the net position of the corporation, net of the effect of implementing Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Report Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent To the Measurement Date – an Amendment of GASB Statement No. 68*, increased $2.7 million in 2015.

Current assets, excluding the current portion of loans and investments, of CI increased $24.8 million due primarily to $25.0 million of CT Jobs Bill and $3.0 million of BioFacilities Fund funding received from the State in FY2015 while net funding of loans and investments stayed the same ($28.7 million of funding less $28.5 million in loan pay downs and investment distributions), and $3.0 million of net SBI/CTNext program / grant funding.

Restricted cash increased $587 thousand due to net outflow of CBIF funds of $1.1 million for investments, $3.6 million of Jax Labs retainage returned, bond debt capital reserve release of $3.4 million, net escrow deposits returned totaling $1.1 million, $1.0 million of Urbank cash balances returned and $700 thousand net outflow of SSBCI. This outflow of $10.9 million was offset by a net inflow of $11.5 million of Regen funds.

The total value of CI's investment portfolio decreased $746 thousand in 2015. This decrease consisted of new investments totaling $20.5 million offset by investment sales of $3.1 million, principal repayments of $4.3 million and net $13.8 million of write-offs and devaluations of portfolio investments. During 2015, CI approved $19.5 million and funded $20.5 million (of which $7.5 million was approved prior to 2015) for investments in new opportunities and continued support of existing portfolio companies. Committed funding for CI's equity programs on June 30, 2015 total $3.8 million. CI funded $11.8 million of new investments through its Eli Whitney Fund and $5.4 million of new investments through its repurposed SSBCI Program. In addition CI also funded $0.8 million through its Seed Fund, $1.7 million through the BioFacilities Fund, $0.6 million through its PreSeed program to promote the development of young technology companies, and $0.2 million for its collaboration with Yale University. The type of investments made take time to mature and involve considerable risk. A considerable cash reserve is maintained in order to meet the future funding requirements of its portfolio companies.

FINANCIAL HIGHLIGHTS OF FISCAL 2015 (CONTINUED)

NET POSITION (CONTINUED)

CI's direct loan portfolio decreased $7.5 million in 2015. The decrease was due to loan pay downs of $14.6 million, a $900 thousand provision, and loan recoveries of $200 thousand offset by $8.2 million of new direct loans. Committed funding for CI's direct loan programs as of June 30, 2015 totals $2.3 million. Current liabilities decreased $7 million, due primarily to $1.1 million net CBIF expenditures in FY2015, net funding of SSBCI less utilization for SSBCI of 1.2 million, $3.6 million release of CT Bioscience Collaboration retainage and $1.1 million reduction in Escrow deposits. Bonds payable decreased $2.3 million due to normal amortization of bonds in 2015. This reduction yielded interest expense savings of $110 thousand in 2015. Other non-current liabilities increased $27 million due primarily to $28 million net pension liability recorded due to implementation of GASB 68.

The following table summarizes the net positions as of June 30, 2015 and 2014:

(In Thousands)

	Balance June 30, 2015	Balance June 30, 2014	Increase (Decrease) 2015 vs. 2014
Assets			
Current assets, excluding current portion of loans and investments	$ 59,755	$ 34,913	$ 24,842
Restricted assets	46,269	45,682	587
Portfolio investments	79,372	80,118	(746)
Loans	56,479	63,972	(7,493)
Capital assets, net	341	414	(73)
Other noncurrent assets	133	254	(121)
Deferred outflow of resources	3,398	--	3,398
Total Assets & Deferred Outflow of Resources	245,747	225,353	20,394

FINANCIAL HIGHLIGHTS OF FISCAL 2015 (CONTINUED)

NET POSITION (CONTINUED)

(In Thousands)

	Balance June 30, 2015	Balance June 30, 2014	Increase (Decrease) 2015 vs. 2014
Liabilities			
Current liabilities, excluding current portion of debt	$ 23,880	$ 31,885	$ (8,005)
Bonds payable	2,760	5,020	(2,260)
Net pension liability	28,019	--	28,019
Other noncurrent liabilities	8,897	9,960	(1,063)
Deferred inflow of resources	1,001	--	1,001
Total Liabilities & Deferred Inflow of Resources	64,557	46,865	17,692
Net Position			
Invested in capital assets	341	414	(73)
Restricted	15,163	12,477	2,686
Unrestricted	165,686	165,597	89
Total Net Position	$ 181,190	$ 178,488	$ 2,702

CHANGE IN NET POSITION

Total CI operating revenue decreased $2.5 million from $90.5 million to $88 million in 2015 when compared to 2014. While State Funding decreased $6.1 million ($26 million less State of Connecticut funding ($85.4 million in 2014 to $59.4 million in 2015) for the CT Bioscience Collaboration offset by $19.9 million State funding for Regen); an additional $8.6 million in revenue was recognized from the U.S. Treasury funding for SSBCI. Net Realized and Unrealized losses were $4 million higher in 2015 when compared to 2014. XL Center revenues decreased $500 thousand due to the payment in FY2014 to CI of $500 thousand in lieu of the release of capital expenditure's agreement. In addition loan fee income decreased $500 thousand in fiscal 2015 due to the continuing falloff of self-sustaining bond renewals.

XL Center expenses decreased $27 thousand when compared to 2014. The final expense recorded in relation to the XL center was interest expense on the final bond redemption.

FINANCIAL HIGHLIGHTS OF FISCAL 2015 (CONTINUED)

CHANGE IN NET POSITION (CONTINUED)

Compensation, benefits and payroll taxes increased $329 thousand. This amount includes a $58 thousand increase in payments made for temporary help and $95 thousand adjustment for implementation of GASB 68. CI's employees are participants in the State payroll and retirement system and as participants are charged a fringe rate which currently averages 76% of salary.

Interest expense on bonds payable decreased $110 thousand due to interest savings realized from the $2.8 million pay down of Corporation GO bonds. General and administrative expenses decreased by $530 thousand primarily due to pull-back of legal and advisory fees associated with the Innovation Ecosystem and marketing and re-branding expenses for the corporation and CTNext/SBI initiatives.

Net realized losses on investments for the year were $5.8 million as compared to realized losses of $4.1 million in 2014. In both 2015 and 2014, the realized losses resulted from both divestitures of investments which were recorded as unrealized losses in previous years and permanent devaluation to zero of investments which occurred throughout the year.

Net unrealized gains on investments for the year were $2.2 million as compared to net unrealized losses of $225 thousand in 2014. In 2015, the net unrealized gains resulted from net decreases in valuation reserves for privately held companies in CI's investment portfolio and public holdings. In 2014, the net unrealized losses resulted from net increases in valuation reserves for privately held companies in CI's investment portfolio and public holdings.

Total expenditures for grants and programs in 2015 were $27 million, an increase of $9.7 million over the previous year. Operating grants disbursed under the Bioscience Collaborative Program totaled $15 million which, in 2015, amounted to a $3.8 million increase over 2014. FY2015 also was the first year CI served as administrator for the Regenerative Medicine Research Fund and as such issued grants-in-aid totaling $8.4 million. Expenditures in 2015 pertaining to funding of SBI/CTNext programs on the other hand decreased $2.5 million.

Funding received from the State and recorded as operating revenue in 2015 totaled $44.3 million for facility and equipment loans under the Connecticut Bioscience Collaborative program. This funding was reserved in full in fiscal 2015 and recorded as an operating expense. Please see our financial statements.

FINANCIAL HIGHLIGHTS OF FISCAL 2015 (CONTINUED)

CHANGE IN NET POSITION (CONTINUED)

Other funding recorded as revenue from the state totaled $28 million in 2015. These contributions were utilized as follows: $25 million for CT Jobs Bill Public Act 11-1 and $3 million for Connecticut Biofacilities.

The following table summarizes the change in net position for the fiscal year ended June 30, 2015.

	(In Thousands)		
	Year Ended June 30, 2015	Year Ended June 30, 2014	Favorable (Unfavorable) 2015 vs. 2014
Operating Revenue:			
XL Center	$ --	$ 1,257	$ (1,257)
Interest on notes	2,964	2,751	213
Loan fee income	789	1,232	(443)
Regen Grant Income	19,877	--	19,877
U.S. Treasury Grant Income	8,646	35	8,611
Grant and program income	502	586	(84)
Unrealized (loss) gain on investments	(3,779)	2,243	(6,022)
Realized loss on sale of investments	(3,653)	(5,820)	2,167
CT Bioscience Collaboration funding	59,354	85,391	(26,037)
Other	3,259	2,836	423
Total Operating Revenues	87,959	90,511	(2,552)

FINANCIAL HIGHLIGHTS OF FISCAL 2015 (CONTINUED)

CHANGE IN NET POSITION (CONTINUED)

(In Thousands)

	Year Ended June 30, 2015	Year Ended June 30, 2014	Favorable (Unfavorable) 2015 vs. 2014
Operating Expenses:			
XL Center	$ --	$ 27	$ 27
Payroll and fringes	10,666	10,337	(329)
Interest on bonds	163	273	110
Loss provision	1,200	1,950	750
Grants and programs	27,043	17,333	(9,710)
CT Bioscience Collaboration loan write-down	44,354	74,186	29,832
General, administrative and other	3,459	3,200	(259)
Restructuring Charge	750	--	(750)
Total Operating Expenses	87,635	107,306	19,671
Operating Income (Loss)	324	(16,795)	17,119
Total Nonoperating Revenues	27,992	26,307	1,685
Change in Net Position Before Extraordinary Item	28,316	9,512	18,804
Extraordinary Item - Cumulative effect of implementing GASB 68 and 71	(25,614)	--	(25,614)
Change in Net Position	$ 2,702	$ 9,512	$ (6,810)

Any questions regarding this report or requests for additional information may be directed to:

Chief Financial Officer
Connecticut Innovations, Inc.
865 Brook Street, Rocky Hill, CT 06067

CONNECTICUT INNOVATIONS, INCORPORATED

STATEMENT OF NET POSITION

JUNE 30, 2015

Assets	
Current Assets	
Cash and cash equivalents	$ 57,003,386
Current portion of loans	5,682,543
Current portion of portfolio investments	2,324,836
Interest and other receivables	1,431,406
Due from State of Connecticut	1,102,428
Prepaid expenses	217,624
Total Current Assets	67,762,223
Noncurrent Assets	
Restricted assets:	
Restricted cash and cash equivalents	46,268,933
Total restricted	46,268,933
Portfolio investments, net of current portion	77,047,528
Loans - noncurrent, net of allowance for loan losses of $8,078,618	50,795,637
Connecticut Bioscience Collaboration Program Loans, net of allowance for doubtful accounts of $144,486,956 (Note 18)	--
Capital assets, net of depreciation	340,986
Other	133,000
Total Noncurrent Assets	174,586,084
Total Assets	$ 242,348,307
Deferred Outflows of Resources	
Deferred bond issuance costs	$ 87,806
Deferred amount for pensions	3,310,649
Total Deferred Outflows of Resources	$ 3,398,455

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

CONNECTICUT INNOVATIONS, INCORPORATED

STATEMENT OF NET POSITION (CONTINUED)

JUNE 30, 2015

Liabilities	
Current Liabilities	
Current portion of bonds payable	$ 500,000
Accrued expenses and liabilities	4,709,138
Deferred revenue	141,397
Due to Connecticut Bioscience Innovation Fund	17,811,739
Reserve for guarantee losses	1,217,966
Total Current Liabilities	24,380,240
Noncurrent Liabilities	
Net pension liability	28,018,735
Escrow deposits	8,897,397
Bonds payable, net of current portion	2,260,000
Total Noncurrent Liabilities	39,176,132
Total Liabilities	63,556,372
Net Position	
Net investment in capital assets	340,986
Restricted	15,162,872
Unrestricted	165,685,862
Total Net Position	181,189,720
Total Liabilities and Net Position	$ 244,746,092
Deferred Inflows of Resources	
Deferred amount for pensions	$ 1,000,670

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

CONNECTICUT INNOVATIONS, INCORPORATED

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

Operating Revenues	
Investment interest income	$ 1,176,602
Interest on loans	2,963,847
Unrealized loss on investments	(3,779,432)
Realized loss on sale of investments	(3,653,234)
Loan fee income	788,612
Regen Grant Income	19,876,564
U.S. Treasury Grant Income	8,646,196
Grant and program income	502,024
Connecticut Bioscience Collaboration funding	59,354,358
Other income	2,083,687
Total Operating Revenues	87,959,224
Operating Expenses	
Salaries	6,180,150
Benefits and payroll taxes	4,486,180
Grants and programs	27,043,036
Connecticut Bioscience Collaboration Loan write-down	44,354,358
Provision for loan and guarantee losses	1,200,000
General facility and office	1,294,332
Professional service fees	1,388,906
Restructuring charge	750,000
Interest	162,707
Marketing, conferences, development	439,928
Depreciation and amortization	297,070
Other	38,487
Total Operating Expenses	87,635,154
Operating Gain	324,070
Nonoperating Revenues	
Connecticut Public Act 11-1	25,000,000
Connecticut Biofacilities	2,991,500
Total Nonoperating Revenue	27,991,500
Change in Net Position	28,315,570
Net Position - As previously reported	178,487,768
Cumulative Effect of Implementing GASB 68 and 71	(25,613,618)
Net Position - Beginning of year (as restated)	152,874,150
Net Position - End of year	$ 181,189,720

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

CONNECTICUT INNOVATIONS, INCORPORATED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities	
Loan principal collected	$ 14,569,966
Cash received under grants and programs	262,647
Cash received under Connecticut Bioscience Collaboration Program	59,354,358
Interest from loans	3,030,172
Cash from loan/guarantee/insurance fees	786,601
Interest on investments and marketable securities	472,488
Sale of investments	2,986,181
Return of principal on investments	4,453,085
Proceeds from sale of investments	6,446,787
Purchase of investments	(20,475,171)
Cash received from dividends and royalties	553,448
Interest on short-term investments and cash deposits	71,333
Cash from recovery of principal	209,746
Cash received from other income	1,835,304
Cash paid under grants and programs	(18,287,155)
Connecticut Bioscience Collaborative loans	(44,354,358)
Cash received under custodial arrangements	19,876,563
Cash expended under custodial arrangements	(12,044,695)
Payroll and fringe benefits paid	(9,892,317)
Loans funded	(8,169,441)
General and administrative expenses paid	(2,603,792)
Guarantees paid	(237,136)
Loan workout expenses paid	(37,400)
Net Cash Used in Operating Activities	(1,192,786)
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(175,473)
Net Cash Used in Capital and Related Financing Activities	(175,473)

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

CONNECTICUT INNOVATIONS, INCORPORATED

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Noncapital Financing Activities	
Funding received from State of Connecticut	$ 36,385,990
Connecticut Bioscience Innovation Fund transfers	(1,188,261)
Decrease in escrow deposits	(1,063,346)
Principal payments on bonds	(2,260,000)
Interest payments on bonds	(200,448)
Funding received from State Small Business Credit Initiative	4,389,373
Net Cash Provided by Noncapital Financing Activities	36,063,308
Net Increase in Cash and Cash Equivalents	34,695,049
Cash and Cash Equivalents - Beginning	68,577,270
Cash and Cash Equivalents - Ending	$ 103,272,319
As Presented on the Statement of Net Position:	
Cash and cash equivalents	$ 57,003,386
Restricted cash and cash equivalent	46,268,933
	$ 103,272,319

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

CONNECTICUT INNOVATIONS, INCORPORATED

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating gain	$ 324,070
Adjustments to reconcile operating loss to net cash used in operating activities:	
Noncash interest conversions	(646,892)
Sale of investments	2,986,181
Return of principal on investments	4,453,085
Realized loss from investment charge-offs	10,100,020
Purchase of investments	(20,475,171)
Unrealized devaluation on investments	3,779,432
Noncapital due from state funding of payroll	(8,394,490)
Interest expense on bonds	162,707
Provision for loan and guarantee losses	1,200,000
Depreciation and amortization	297,070
Recoveries of loan principal	209,746
Guarantees paid	(237,136)
Noncash portion of pension expense	95,138
(Increase) decrease in assets:	
Loans receivable	6,406,968
Interest and other receivables	(278,989)
Advances, prepaid and deferred expenses	543,294
Increase (decrease) in liabilities:	
Accrued expenses	2,140,016
Custodial liability	(3,636,624)
Deferred revenue	(221,211)
Net Cash Used in Operating Activities	$ (1,192,786)

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

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Connecticut Innovations, Incorporated (the Corporation) was established under Title 32, Chapter 581 of the General Statutes of the State of Connecticut (the Act), as amended, and was created as a body politic and instrumentality of the State of Connecticut (the State). For purposes of financial reporting, the Corporation is a component unit of the State of Connecticut, and the Corporation's financial statements are included in the State's Comprehensive Annual Financial Report. The Corporation was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations and inventions or markets in Connecticut by providing financial and technical assistance. In addition the operations of Connecticut Development Authority (CDA) which was established under Title 32, Chapter 579 of the General Statutes of Connecticut as amended (Statute), were transferred to Connecticut Innovations, Incorporated (CI) pursuant to Section 147 to 189 of Public Act No. 12-1, Bill 6001. The operations transferred from CDA, which now continue as part of the Corporation, were created to stimulate industrial and commercial development within the State. The powers of the Corporation are vested in its seventeen-member Board of Directors consisting of four members who serve by virtue of their office, four members appointed by the leadership of the General Assembly and nine members appointed by the Governor of the State of Connecticut, each for specified periods of time pursuant to the Act.

Significant funding for the Corporation's programs has been provided by the State through the issuance of general obligation bonds. According to the Act, the State may require the Corporation to repay the contribution of capital obtained through State general obligation bonds at some future date. Such repayment may include the forgiveness of certain interest or principal, or both.

REPORTING ENTITY

The accompanying financial statements present the Corporation and its component units, entities for which the Corporation is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Corporation's operations.

The Corporation, as the primary government, follows the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 61 (The Financial Reporting Entity Omnibus – an Amendment of GASB Statements No. 14 and No. 34) (the "Statement") regarding presentation of component units. The Statement modifies certain requirements for including component units in the reporting entity, either by blending

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

REPORTING ENTITY (CONTINUED)

(recording their amounts as part of the government), or discretely presenting them (showing their amounts separately in the reporting entity's financial statements). To qualify as a blended component unit, the unit must meet one of the following criteria: (1) have substantively the same governing body as that of the primary government, and either (A) a financial benefit or burden relationship exists between the unit and the primary government, or (B) management of the primary government (below the level of the governing body) has operational responsibility of the unit; (2) the unit provides services or benefits exclusively or almost exclusively to the primary government; or (3) the unit's total debt outstanding, including leases, is expected to be repaid by resources of the primary government. A unit which fails to meet the substantively the same governing requirement may still be included as a discretely presented component unit, if the primary government has appointed the voting majority of the component unit's governance and meet other criteria as specified in the Statement, such as whether or not it would be misleading were the entity to be excluded.

The following two organizations are blended component units of the Corporation based upon the criteria above:

Connecticut Technology Development Corporation (CTDC) – CTDC was established to address the need by new biotech firms for wet laboratory space in "move-in" condition. CTDC also established a business incubator program which leases office space to startup firms focusing on information technologies. The wet laboratory activities were discontinued on June 30, 2013. Activities now consist only for those in relation to the business incubator program.

Connecticut Brownfields Redevelopment Authority (CBRA) – A quasi-public agency created by the former Connecticut Development Authority in May 1999 to carry out the remediation, development, and financing of contaminated property within the State, in accordance with Section 32-11a, subsection (1), of the General Statutes. CBRA is now a wholly owned subsidiary of the Corporation**.** The CBRA subsidiary provides loans, grants or guarantees from the Corporation's assets and the proceeds of its bonds, notes and other obligations. Any net gain from the subsidiary will flow back to the parent (Corporation) as an addition or in the case of a loss, a reduction to the earnings of the Corporation.

No balance sheet or activity eliminations between the Corporation and its blended units were necessary.

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

Condensed combining information for the primary government (the Corporation) and its three blended component units is presented as follows:

CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION

	CBRA	CTECH / Wet Lab	CI	Total Primary Government
Assets				
Current Assets				
Cash and cash equivalents	$ --	$ 74,900	$ 56,928,486	$ 57,003,386
Loans, current portion	462,765	--	5,219,779	5,682,544
Portfolio investments, current portion	--	--	2,324,836	2,324,836
Interest and other receivables	235,798	--	1,195,608	1,431,406
Due from State of Connecticut	--	--	1,102,428	1,102,428
Prepaid expenses	--	5,895	211,728	217,623
Total Current Assets	698,563	80,795	66,982,865	67,762,223
Noncurrent Assets				
Restricted Assets:				
Restricted cash and cash equivalents	--	--	46,268,933	46,268,933
Total Restricted	--	--	46,268,933	46,268,933
Portfolio investments, net of current portion	--	--	77,047,528	77,047,528
Loans - noncurrent, net of allowance for loan losses of $8,078,618	6,976,847	--	43,818,790	50,795,637
Connecticut Bioscience Collaboration Program Loans, net of allowance for doubtful accounts of $144,486,956 (Note 18)	--	--	--	--
Capital assets, net of depreciation	--	6,437	334,549	340,986
Other	--	--	133,000	133,000
Total Noncurrent Assets	6,976,847	6,437	167,602,800	174,586,084
Total Assets	$ 7,675,410	$ 87,232	$ 234,585,665	$ 242,348,307
Deferred Outflows of Resources	$ --	$ --	$ 3,398,455	$ 3,398,455

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

CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION (CONTINUED)

	CBRA	CTECH / Wet Lab	CI	Total Primary Government
Liabilities				
Current Liabilities				
Current portion of bonds payable	$ --	$ --	$ 500,000	$ 500,000
Accrued expenses and liabilities	--	6,499	4,702,639	4,709,138
Deferred revenue	--	--	141,397	141,397
Due to Connecticut Bioscience Innovation Fund	--	--	17,811,739	17,811,739
Reserve for guarantee losses	--	--	1,217,966	1,217,966
Total Current Liabilities	--	6,499	24,373,741	24,380,240
Noncurrent Liabilities				
Net pension liability	--	--	28,018,735	28,018,735
Escrow deposits	--	--	8,897,397	8,897,397
Bonds payable, net of current portion	--	--	2,260,000	2,260,000
Total Noncurrent Liabilities	--	--	39,176,132	39,176,132
Total Liabilities	--	6,499	63,549,873	63,556,372
Net Position				
Net investment in capital assets	--	6,437	334,549	340,986
Restricted	--	--	15,162,872	15,162,872
Unrestricted	7,675,410	74,296	157,936,156	165,685,862
Total Net Position	7,675,410	80,733	173,433,577	181,189,720
Total Liabilities and Net Position	$ 7,675,410	$ 87,232	$ 236,983,450	$ 244,746,092
Deferred Inflows of Resources	$ --	$ --	$ 1,000,670	$ 1,000,670

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

CONDENSED, COMBINING INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	CBRA	CTECH / Wet Lab	CI	Total Primary Government
Operating Revenues				
Investment interest income	$ --	$ --	$ 1,176,602	$ 1,176,602
Interest on loans	421,165	--	2,542,682	2,963,847
Unrealized gain on investments	--	--	(3,779,432)	(3,779,432)
Realized loss on sale of investments	--	--	(3,653,234)	(3,653,234)
Loan fee income	--	--	788,612	788,612
Regen grant income	--	--	19,876,564	19,876,564
U.S. treasury grant income	--	--	8,646,196	8,646,196
Grant and program income	--	--	502,024	502,024
Connecticut Bioscience Collaboration funding	--	--	59,354,358	59,354,358
Other income	--	43,593	2,040,094	2,083,687
Total Operating Revenues	421,165	43,593	87,494,466	87,959,224
Operating Expenses				
Salaries	--	--	6,180,150	6,180,150
Benefits and payroll taxes	--	--	4,486,180	4,486,180
Grants and programs	--	--	27,043,036	27,043,036
Connecticut Bioscience Collaboration loan write-down	--	--	44,354,358	44,354,358
Provision for loan and guarantee losses	--	--	1,200,000	1,200,000
General facility and office	--	85,598	1,208,734	1,294,332
Professional service fees	--	2,091	1,386,815	1,388,906
Restructuring charge	--	--	750,000	750,000
Interest	--	--	162,707	162,707
Marketing, conferences, development	--	150	439,778	439,928
Depreciation and amortization	--	14,106	282,964	297,070
Other	--	--	38,487	38,487
Total Operating Expenses	--	101,945	87,533,209	87,635,154
Operating Income (Loss)	421,165	(58,352)	(38,743)	324,070
Nonoperating Revenues				
Connecticut Public Act 11-1	--	--	25,000,000	25,000,000
Connecticut Biofacilities	--	--	2,991,500	2,991,500
Total Nonoperating Revenues	--	--	27,991,500	27,991,500
Change in Net Position	421,165	(58,352)	27,952,757	28,315,570
Net Position - as previously reported	8,198,947	69,079	170,219,742	178,487,768
Cumulative Effect of Implementing GASB 68 and 71	--	--	(25,613,618)	(25,613,618)
Net Position - Beginning of year (as restated)	8,198,947	69,079	144,606,124	152,874,150
Net Position - End of year	$ 8,620,112	$ 10,727	$ 172,558,881	$ 181,189,720

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

CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS

	CBRA	CTECH / Wet Lab	CI	Total Primary Government
Cash Flows from Operating Activities				
Loan principal collected	$ 479,133	$ --	$ 14,090,833	$ 14,569,966
Cash received under grants and programs	--	--	262,647	262,647
Cash received under Connecticut Bioscience Collaboration Program	--	--	59,354,358	59,354,358
Interest from loans	465,570	--	2,564,602	3,030,172
Cash from loan/guarantee/insurance fees	--	--	786,601	786,601
Interest on investments and marketable securities	--	--	472,488	472,488
Sale of investments	--	--	2,986,181	2,986,181
Return of principal on investments	--	--	4,453,085	4,453,085
Gain on sale of investments	--	--	6,446,787	6,446,787
Purchase of investments	--	--	(20,475,171)	(20,475,171)
Cash received from dividends and royalties	--	--	553,448	553,448
Interest on short-term investments and cash deposits	--	--	71,333	71,333
Cash from recovery of principal	--	--	209,746	209,746
Cash received from other income	--	42,398	1,792,906	1,835,304
Cash paid under grants and programs	--	--	(18,287,155)	(18,287,155)
Connecticut Bioscience Collaborative loans	--	--	(44,354,358)	(44,354,358)
Cash received under custodial arrangements	--	--	19,876,563	19,876,563
Cash expended under custodial arrangements	--	--	(12,044,695)	(12,044,695)
Payroll and fringe benefits paid	--	--	(9,892,317)	(9,892,317)
Loans funded	--	--	(8,169,441)	(8,169,441)
General and administrative expenses paid	--	(80,087)	(2,523,705)	(2,603,792)
Guarantees paid	--	--	(237,136)	(237,136)
Loan workout expenses paid	--	--	(37,400)	(37,400)
Net Cash Provided by (Used in) Operating Activities	944,703	(37,689)	(2,099,800)	(1,192,786)
Cash Flows Used In Capital and Related Financing Activities				
Purchase of capital assets	--	--	(175,473)	(175,473)

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

CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS (CONTINUED)

	CBRA	CTECH / Wet Lab	CI	Total Primary Government
Cash Flows from Noncapital Financing Activities				
Funding received from State of Connecticut	$ --	$ --	$ 36,385,990	$ 36,385,990
Connecticut Bioscience Innovation fund transfers	--	--	(1,188,261)	(1,188,261)
Increase in escrow deposits	--	--	(1,063,346)	(1,063,346)
Principal payments on bonds	--	--	(2,260,000)	(2,260,000)
Interest payments on bonds	--	--	(200,448)	(200,448)
Cash paid for State Small Business Credit Initiative funding	--	--	4,389,373	4,389,373
Transfers	(944,703)	70,002	874,701	--
Net Cash Provided by Noncapital Financing Activities	(944,703)	70,002	36,938,009	36,063,308
Net Increase in Cash and Cash Equivalents	--	32,313	34,662,736	34,695,049
Cash and Cash Equivalents - Beginning	--	42,587	68,534,683	68,577,270
Cash and Cash Equivalents - Ending	$ --	$ 74,900	$ 103,197,419	$ 103,272,319

CONNECTICUT INNOVATIONS, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS (CONTINUED)

	CBRA	CTECH / Wet Lab	CI	Total Primary Government
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating gain (loss)	$ 421,165	$ (58,352)	$ (38,743)	$ 324,070
Adjustments to reconcile operating loss to net cash used in operating activities:				
Noncash interest conversions	--	--	(646,892)	(646,892)
Sale of investments	--	--	2,986,181	2,986,181
Return of principal on investments	--	--	4,453,085	4,453,085
Realized loss from investment charge-offs	--	--	10,100,020	10,100,020
Purchase of investments	--	--	(20,475,171)	(20,475,171)
Unrealized appreciation on investments			3,779,432	3,779,432
Noncapital due from state funding of payroll	--	--	(8,394,490)	(8,394,490)
Interest expense on bonds	--	--	162,707	162,707
Provision for loan and guarantee losses	--	--	1,200,000	1,200,000
Depreciation and amortization	--	14,106	282,964	297,070
Recoveries of loan principal	--	--	209,746	209,746
Guarantees paid	--	--	(237,136)	(237,136)
Noncash portion of pension expense	--	--	95,138	95,138
(Increase) decrease in assets:				
Loans receivable	479,133	--	5,927,835	6,406,968
Interest and other receivables	44,405	--	(323,394)	(278,989)
Advances, prepaid and deferred expenses	--	1,270	542,024	543,294
Increase (decrease) in liabilities:				
Accrued expenses	--	6,482	2,133,534	2,140,016
Custodial liability	--	--	(3,636,624)	(3,636,624)
Deferred revenue	--	(1,200)	(220,011)	(221,211)
Net Cash Provided by (Used in) Operating Activities	$ 944,703	$ (37,694)	$ (2,099,795)	$ (1,192,786)

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

FINANCIAL AND TECHNICAL PROGRAMS

The Corporation provides several basic financial and technical programs and corresponding funds to assist qualifying Connecticut companies and Connecticut colleges and universities as follows:

Eli Whitney Fund **–** This program may be used for risk capital investments in emerging and established companies to stimulate their development of high technology products, processes and services. The program also provides working capital to assist companies in marketing and launching technology products, processes and services.

BioScience Facilities Fund **–** This program was developed to enable the development of laboratory space in Connecticut in order to encourage the growth of biotechnology research and development companies.

Seed and BioSeed Funds **–** These programs were developed to address the needs of entrepreneurs by promoting and investing in early stage Connecticut based emerging technology and biotechnology companies.

PreSeed Fund – This program was developed to provide support and assistance to prepare high technology companies for future investments. Investments consist of two year promissory notes ranging from $25,000 to $200,000.

Clean Tech Fund **–** This program was developed to support the demand for alternative energy technologies which focuses on energy conservation, environmental protection, or the elimination of harmful waste.

Mezzanine Fund **–** This loan program is designed to address the needs of Connecticut companies as they endeavor to grow sales and revenues and thus their job base and market share. The loans will be used for working capital purposes.

Small Business Innovation Research (SBIR) Office **–** The Connecticut SBIR Office seeks to support Connecticut based innovators, entrepreneurs and small businesses to commercialize new products. The program also provides matching grants to manufacturers to design and develop innovative technologies to diversify their portfolio of products thereby retaining/increasing sales and employment in the State. The SBIR program also assists companies to obtain federal grants through the federal SBIR program.

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

FINANCIAL AND TECHNICAL PROGRAMS (CONTINUED)

Self-Sustaining Bond Program – Under the Self-Sustaining Bond Program, the Corporation accommodates the financing for specific industrial and certain recreational and utility projects through the issuance of special obligation industrial revenue bonds. These bonds are available for financing such projects as the acquisition of land or the construction of buildings, and purchase and installation of machinery, equipment and pollution control facilities. The Corporation has issued $2,119,741,141 of special obligation industrial revenue bonds since July 1, 1978. Total bonds outstanding at June 30, 2015 were $491,050,000.

The bonds are payable solely from payments received from participating companies (or from proceeds of sale of the specific projects in the event of default) and do not otherwise constitute a debt or liability of the Corporation or the State or any municipality thereof. Accordingly, the balances and activity of the Self-Sustaining Bond Program are not included in the Corporation's financial statements.

Titles to most projects financed under this program prior to 1978 (and, in some cases, since then) are generally held by the Corporation, and projects are leased to participating companies at annual rentals sufficient to amortize bond principal and interest over the life of the applicable bonds. The participating companies pay directly any other costs of the projects. Title to a particular project is transferred to the participating company at a nominal amount when the applicable bonds are paid in full. In some cases prior to 1978 and for most projects financed since then, the Corporation does not hold title to the projects, and collateral loan agreements are obtained from participating companies under which they pay amounts sufficient to amortize the bond principal and interest over the life of the bonds and pay directly any other costs of the project.

Insurance Program – The State has authorized the issuance of up to $25,000,000 in bonds allocated to the Insurance Program. Of this amount, $5,500,000 has been distributed to the Insurance Program and was recorded as Contributed Capital. Under the Insurance Program, the Corporation may insure loans made by other lending institutions to companies for acquisition of industrial land, buildings, machinery, and equipment located within the State. In addition, all of the Corporation's Umbrella Program loans were insured under this program.

On June 30, 2015 loans totaling $2,384,999 were insured under the program by other lending institutions.

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

FINANCIAL AND TECHNICAL PROGRAMS (CONTINUED)

Insurance Program (Continued) – The Statute provides that the insurance is payable from the net assets of the Insurance Program. If such net assets are not sufficient, the faith and credit of the State are pledged to absorb any shortfall. The Corporation has established maximum limits for individual loans on real property of $25,000,000 and 25 years, and for individual loans on machinery and equipment of $10,000,000 and ten years.

Loans receivable within the program arise from sales of foreclosed properties. Other real estate owned consists of properties acquired through foreclosure proceedings. Management records other real estate owned at the lower of cost or estimated fair value, less selling cost.

Growth Fund – Under the Growth Fund, the Corporation is authorized to issue individual loans up to a maximum of $4,000,000. This program provides financial assistance for any purpose the Corporation determines will materially contribute to the economic base of the State by creating or retaining jobs, promoting the export of products and services, encouraging innovation in products or services, or supporting existing activities that are important to the State's economy. Financing may be used to purchase real property, machinery and equipment, or for working capital. The Corporation has established an overall maximum loan term of 20 years and a maximum 90 percent loan-to-value ratio for real property loans. The maximum loan terms for machinery and equipment are ten years and 80 percent financing and a seven-year term for working capital loans.

Water facilities include municipally owned water companies and investor-owned water companies that service between 25 and 10,000 customers and municipally owned and privately owned dams deemed a community benefit by the Commissioner of the Department of Energy and Environmental Protection. The loans are generally limited to $250,000 for terms not to exceed 20 years for real property and ten years for machinery and equipment.

Small contractors and minority business enterprises are eligible for loans up to $250,000 for terms not to exceed one year to cover the costs of labor and material related to specific contracts.

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

FINANCIAL AND TECHNICAL PROGRAMS (CONTINUED)

Connecticut Works Fund and Connecticut Works Guarantee Fund – The Connecticut Works Fund includes direct loans and a loan guarantee program with participating lenders to encourage them to provide more credit on more favorable terms. Eligible projects include most manufacturing related projects and any project that materially supports the economic base of the State through jobs, defense diversification, exporting and the development of innovative products or services. Loan types and amounts include revolving credit lines, fixed asset loans and refinancing in some cases.

The Connecticut Works Guarantee Fund provides commitments to guarantee loans made by participating financial institutions. Eligible projects are determined by the due diligence principles set forth in the loan presentation guidelines and underwriting considerations for the loan guarantee program of the Connecticut Works Fund.

Connecticut Capital Access Fund – The Connecticut Capital Access Fund provides portfolio insurance to participating financial institutions to assist them in making loans that are somewhat riskier than conventional loans. This assistance is funded by the two branches of the Connecticut Capital Access Fund, the “Urbank Program” and the “Entrepreneurial Loan Program.” Eligible projects are determined usually by the financial institution making the loan as long as the projects meet the requirements specified in the participation agreements.

The State has authorized the issuance of up to $5,000,000 in bonds allocated to the Connecticut Capital Access Fund. Of this amount, $2,000,000 has been distributed and $3,000,000 remains available for distribution. In addition, any insurance losses associated with this fund are reimbursable by the State up to amounts remaining in the $5,000,000 bond allocation.

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

SIGNIFICANT ACCOUNTING POLICIES

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Corporation is considered to be an enterprise fund of the State of Connecticut. Enterprise funds are used to account for governmental activities that are similar to those found in the private sector in which the determination of net income is necessary or useful to sound financial administration.

In its accounting and financial reporting, the Corporation follows Governmental Accounting Standards Board (GASB) Statement No. 62, *GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporates into GASB guidance pre-November 29, 1989 FASB Statements and Interpretations and Accounting Principles Board (ABP) Opinions and Research Bulletins which do not conflict or contradict GASB statements.

BASIS OF ACCOUNTING

The Corporation'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.

OPERATING AND NON-OPERATING REVENUE (EXPENSE)

The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues consists primarily of (1) loan interest from its lending and economic development activities; (2) grants, including Jackson Laboratory funding, Stem Cell research (Regen) funding, and program income; and (3) other revenue generated in connection with investments (including investment gains and losses from portfolio investments) and programs as well as from the operations of the XL Center and other fees and assessments related to all of the above. Operating expenses consist of the costs of operating the lending, economic development, capital venture, programs, grants, XL Center operations as well as depreciation on capital assets.

Non-operating revenue consists of funding from certain State of Connecticut appropriations or regulations. Offsetting non-operating revenue and recorded as non-operating expenses are gains and losses from the disposition of assets.

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

REVENUE RECOGNITION

Revenue from grants under government mandated or voluntary non-exchange transactions is recognized when eligibility requirements are met to the extent that the Corporation can be expected to comply with the purpose restrictions within the specified time limit. Funds received in advance such as those under the State Small Business Credit Initiative (SSBCI) program, are recorded as refundable advances until the Corporation fulfills the program's requirements.

Interest income on loans is accrued and credited to operations based upon the principal amount outstanding. The accrual of interest income is generally discontinued when a loan becomes 61 days past due or earlier when there is sufficient question as to the collectability of the interest. The Corporation records past due interest on a cash basis as the money is received. Interest income on past due loans is not accrued until adequate repayment history is again established (typically after three months). Loan acceptance (origination) fees approximate direct loan origination costs and, accordingly, are recognized as income at loan origination. Interest income from investments is recorded as earned. Insurance Program premiums are recorded as income proportionately over the life of the contract (interest method).

APPLICATION OF RESOURCES

The Corporation first applies restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

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. Those estimates and assumptions affect the reported amounts and disclosures in the financial statements. The most significant estimates are the determination of fair value of its investments which are not publicly traded and determining the adequacy of the allowance for loan losses. Actual results could vary from the estimates that were used.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of cash and highly liquid short-term investments. Cash includes deposits with financial institutions as well as the Corporation's funds within the Connecticut State Treasurer's Short-Term Investment Fund.

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

PORTFOLIO INVESTMENTS AND VALUATIONS

The Corporation's portfolio investments consist of shares of publicly traded securities as well as promissory notes, and equity and debt financing instruments extended to various companies to create jobs and further the economic base of Connecticut.

The Corporation values all investments with readily determinable market value at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value, for other than publicly traded securities, is determined by an independent valuation committee for the Corporation using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group (PEIGG). Investments that do not have a readily determinable market value and for which the Corporation does not have the ability to exert significant control are accounted for using the cost method.

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. The Corporation has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate.

The Corporation reviews all investments at cost for impairment at least annually and whenever events or changes in circumstances indicate that an other than temporary decrease in the value of investments has occurred. When evaluating investments for impairment, management gives consideration to all available information, including historical operating results of the investee, cash flow analysis, pending transactions and events, and all other relevant facts and circumstances in estimating the fair value of the investment. For those investments accounted for at cost, any resulting impairment charges are recorded as a permanent reduction in the cost of the investment and the corresponding loss is recognized in the period in which the impairment was identified. 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. The calculation of realized gains and losses is independent of the calculation of the net change in investment value.

Investments accounted for at fair value and at cost amounted to $51,793,467 and $27,578,897, respectively, at June 30, 2015.

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

PORTFOLIO INVESTMENTS AND VALUATIONS (CONTINUED)

All of the Corporation's investments, except certain equity investments, are uninsured, unregistered and held by the Corporation in the Corporation's name. Certain equity investments are insured by the Securities Investor Protection Corporation and held by a registered broker-dealer in the Corporation's name. Investments in the form of debt instruments are secured by the underlying assets of the borrower, bear interest at rates ranging from 5% to 16% per annum and have an average term of 1 to 10 years.

LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans are stated at unpaid principal balances less an allowance for loan losses. The allowance for loan losses is maintained at a level believed adequate by management to absorb losses existing in the loan portfolio. Management's determination of the adequacy of the allowance is based on an evaluation of the portfolio, historical loan loss experience, current economic conditions, volume, growth and composition of the loan portfolio, reviews of individual delinquent loans, and other relevant factors. The allowance is increased by charges against income and decreased by charge-offs (net of recoveries) when management determines that the collectability of the principal is unlikely.

Certain impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

CAPITAL ASSETS

Capital asset acquisitions exceeding $500 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using the straight-line method over depreciable lives ranging from two to five years. Leasehold improvements are depreciated over the shorter of their economic useful life or the lease term.

For capital assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any related gain or loss is reflected as non-operating income for the period.

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

PENSION

The Corporation's proportionate share of net pension liability, deferred outflows of resources, deferred inflows of resources, and expense associated with the Corporation's requirement to contribute to the Connecticut State Employees Retirement Systems (SERS) have been determined on the same basis as they are reported by SERS. Contributions made to SERS after the measurement date and prior to the Corporation's fiscal year end are reported as deferred outflows of resources.

ESCROW DEPOSITS

The Corporation holds, in a separate financial institution account, escrow deposits which provide collateral security from various program participants. These deposits secure the program participants' liability in regards to relocation/abandonment, employment thresholds and employment recapture payments. In addition to the above and pursuant to the construction contracts for the completion of work by contractors at 263 and 297 Farmington Avenue, Farmington, Connecticut. The Corporation retains 10% of all interim progress payments due and payable to The Jackson Laboratory until the facility is 50% constructed, then retains 5% immediately after the facility is 50% complete until the completion of the project. On June 30, 2015 the retainage maintained in escrow in relation to the Jackson Laboratory Construction contract was $656,073.

OFF-BALANCE SHEET INSTRUMENTS

Fair values for the Corporations off-balance-sheet instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing (guarantees, loan commitments).

CAPITAL CONTRIBUTIONS

In accordance with legislation, additional capital is to be contributed from the State of Connecticut to the Insurance Program, Growth, Connecticut Works, Connecticut Works Guarantee, Connecticut Capital Access, on an "as needed" basis to provide additional funds for financial assistance to qualified borrowers. Such contributions, when received, are reported as non-operating revenue.

RESTRICTED CASH

Restricted cash includes all cash that relates to specific revenue or General Obligation Bonds, as well as cash reserves whose use is specified or limited by bond resolution, enabling legislation, laws or third parties.

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

STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, cash and cash equivalents include both restricted and unrestricted funds held on deposit with banks as well as funds held with the Connecticut State Treasurer's Short-Term Investment Fund.

NET POSITION

Net position of the Corporation is presented in the following three categories:

Net investment in capital assets consists of capital assets including restricted capital assets reduced by accumulated depreciation and by the outstanding balances of bonds that are attributable to those particular assets.

Restricted net position consists of those net restricted assets whose use is restricted through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position is the amount of the net assets that are not included in the determination of net investment in capital assets or the restricted component of net position.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard resulted in an adjustment to reduce the Corporation's beginning net position by $29,017,545 as of July 1, 2014.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date, an Amendment of GASB 68* (GASB 71). The objective of this Statement is to address an issue regarding application of the transition provision of GASB No. 68 for amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The implementation of this standard resulted in an adjustment to increase the Corporation's beginning net position by $3,403,927 as of July 1, 2014.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statements addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Corporation is currently evaluating the impact this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Corporation is currently evaluating the impact this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Corporation is currently evaluating the impact this standard will have on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve accounting and financial reporting by state and local governments for OPEB. It also improves information provided by state and governmental employers about financial support for OPEB that is provided by other entities. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The Corporation is currently evaluating the impact this standard will have on its financial statements.

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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. The Corporation is currently evaluating the impact this standard will have on its financial statements.

SUBSEQUENT EVENTS

Events subsequent to June 30, 2015 have been evaluated through November 23, 2015, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

NOTE 2 – CHANGE IN METHOD FOR ACCOUNTING FOR PENSIONS

On July 1, 2014, the Corporation adopted GASB 68 and GASB 71. GASB 68 requires cost-sharing employers to recognize liabilities, deferred outflows of resources, deferred inflows or resources, and expenses for their proportionate share of the pension plan's total. As the State Employees' Retirement System did not have all of the information needed to fully restate the prior period financial statements, the Corporation has elected to apply the "cumulative effect" method, as discussed in GASB 68, by restating beginning net position as of July 1, 2014. As of July 1, 2014, the Corporation recorded an adjustment to reduce beginning net position by $29,017,545 in accordance with GASB 68, as amended.

GASB 71 requires that, at transition, a government recognize a deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the net pension liability at the end of the government's reporting period. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68. As of July 1, 2014, the Corporation recorded an adjustment to increase beginning net position by $3,403,927 for contributions made to SERS from July 1, 2013 through June 30, 2014.

NOTE 2 – CHANGE IN METHOD FOR ACCOUNTING FOR PENSIONS (CONTINUED)

As of July 1, 2014, the cumulative effect of adopting GASB 68 and 71 was a $25,613,618 reduction to beginning net position. The following table shows the impact of the "cumulative effect" method of adopting and implementing GASB 68 and 71 on beginning net position.

Statement of Revenue, Expenses and Changes in Net Position	
Net position, beginning of period,	
July 1, 2014 (as previously stated)	$ 178,487,768
Cumulative effect of adopting GASB 68 and 71	(25,613,618)
Net position, beginning of period, July 1, 2014 (as restated)	$ 152,874,150

NOTE 3 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value for the Corporation's other security and portfolio investments, 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 hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under Financial Accounting Standards Board Accounting Standards Codification 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015.

Cash Equivalents – Cash equivalents consist of funds invested in the Connecticut State Treasurer's Short-Term Investment Fund and are valued at one dollar per share due to the highly liquid nature of the investment.

Portfolio Investments – CI's investments in public companies are valued at the closing price recorded on the active market on which the individual securities are traded. Fair value, for other than publicly traded securities, is determined by an independent valuation committee for the Corporation using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group (PEIGG). Investments that do not have a readily determinable market value and for which the Corporation does not have the ability to exert significant control are accounted for using the cost method. 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. The Corporation has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate.

The valuation methods previously described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Corporation's financial assets at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Cash and				
cash equivalents	$ 103,272,319	$ --	$ --	$ 103,272,319
Portfolio investments				
Equity	2,513,466	--	63,074,442	65,587,908
Debt	--	--	13,784,456	13,784,456
	$ 105,785,785	$ --	$ 76,858,898	$ 182,644,683

The following table sets forth a summary of changes in the fair value of the level 3 assets for the year ended June 30, 2015.

Balance - beginning of year	$ 72,221,606
Purchases	21,122,063
Settlements	(14,192,279)
Unrealized depreciation in investments	(2,292,492)
Balance - end of year	$ 76,858,898

There were no transfers between levels during the year ended June 30, 2015.

NOTE 4 – CASH AND CASH EQUIVALENTS AND OTHER SECURITY

CASH AND CASH EQUIVALENTS

The following is a summary of the composition of cash and cash equivalents (both restricted and unrestricted) on June 30, 2015.

Deposits with financial institutions	$ 15,207,455
Connecticut State Treasurer's Short-Term Investment Fund	88,064,864
Total cash and cash equivalents	$ 103,272,319

NOTE 4 – CASH AND CASH EQUIVALENTS AND OTHER SECURITY (CONTINUED)

CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents are presented on the statement of net position at June 30, 2015 as follows:

Unrestricted cash and cash equivalents	$ 57,003,386
Restricted cash and cash equivalents	46,268,933
	$ 103,272,319

DEPOSITS WITH FINANCIAL INSTITUTIONS

On June 30, 2015, the carrying amount of the Corporation's deposits with financial institutions (including checking accounts, certificates of deposit and escrow accounts) was $15,207,455, and the bank balance was $15,341,165.

All cash maintained by the Connecticut Capital Access Fund is restricted until the related obligations are paid in full, and all cash that relates to a specific revenue or General Obligation Bond is restricted until the related obligation is paid in full (Note 1). Total restricted cash and cash equivalents was $46,268,933 as of June 30, 2015.

CONNECTICUT STATE TREASURER'S SHORT-TERM INVESTMENT FUND

The Connecticut State Treasurer's Short-Term Investment Fund (STIF) is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

INVESTMENT MATURITIES

The Connecticut State Treasurer's Short-Term Investment Fund has no maturity date and is available for withdrawal on demand.

CUSTODIAL CREDIT RISK

Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Corporation will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Corporation's policy is to deposit any funds in obligations issued or guaranteed by the United States of America or the State of Connecticut and in other obligations which are legal investments for savings banks in Connecticut.

NOTE 4 – CASH AND CASH EQUIVALENTS AND OTHER SECURITY (CONTINUED)

CUSTODIAL CREDIT RISK (CONTINUED)

On June 30, 2015, $12,510,775 of the Corporation's bank balance was uninsured and uncollateralized and therefore exposed to custodial credit risk.

Investments – For an investment, this represents the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of the investment. On June 30, 2015, the Corporation had no reportable credit risk. The Connecticut State Treasurer's Short-Term Investment Fund is not subject to this disclosure.

INTEREST RATE RISK

Unrestricted Investments – The Corporation manages its exposure to declines in fair value by limiting the average maturity of its short-term investment portfolio to less than one year.

Restricted Investments – The Corporation's investment policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures and with applicable Connecticut General Statutes. Whenever possible, restricted investments are to be held to maturity and be invested in an appropriate manner as to ensure the availability for specified payment dates and other intended purposes as set forth in the relevant trust indentures and agreements, and to ensure a rate of return at least equal to the restricted bond yield, all with minimal risk to capital.

CREDIT RISK

Pursuant to the General Statutes of the State of Connecticut, the Corporation may only invest funds in obligations issued or guaranteed by the United States of America or the State of Connecticut, including its instrumentalities and agencies, and the STIF. The STIF is available for use by the State's funds and agencies, public authorities and municipalities. State statutes authorized these pooled investment funds to be invested in United States Government and agency obligations, United States Postal Service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, banker acceptances, student loans, and repurchase agreements.

Investment ratings for the Corporation's investments are as follows:

	Standard & Poor's
State Treasurer's Investment Fund	AAAm

NOTE 4 – CASH AND CASH EQUIVALENTS AND OTHER SECURITY (CONTINUED)

CONCENTRATION OF CREDIT RISK

For restricted and unrestricted investments, the Corporation places no limits on the amount of investment in any one investment vehicle. The Corporation does not have a policy on credit risk concentration. The State Treasurer's Investment Fund is not subject to this disclosure.

NOTE 5 – PORTFOLIO INVESTMENTS

Investments as of June 30, 2015 are summarized as follows:

	June 30, 2015		
CI Fund	Equity Securities	Debt Securities	Total
Eli Whitney investments	$ 56,802,929	$ 4,067,978	$ 60,870,907
BioScience Facilities investments	--	3,638,332	3,638,332
Seed Fund investments	2,178,779	436,927	2,615,706
Clean Tech investments	205,001	71,682	276,683
Mezzanine Fund investments	--	2,360,458	2,360,458
SSBCI investments	5,141,018	128,487	5,269,505
Other investments	1,260,181	3,080,592	4,340,773
Totals	$ 65,587,908	$ 13,784,456	$ 79,372,364

The following is a summary of Eli Whitney Investments by industry as of June 30, 2015:

	June 30, 2015	%
BioScience	$ 18,006,825	29.6
IT Software	21,828,196	35.9
IT Infrastructure	3,911,734	6.4
Medical Devices	6,273,046	10.3
Clean Technology	6,627,059	10.9
IT Services	985,547	1.6
Photonics	3,238,500	5.3
	$ 60,870,907	100.0

NOTE 5 – PORTFOLIO INVESTMENTS (CONTINUED)

CI accrues interest on its debt investments from the start of the note and then fair values the investment in accordance with its fair value methodology as described in Note 2. It is normal policy to convert its debt holdings to equity investments. As of June 30, 2015, the Corporation owned warrants in several portfolio companies with various exercise dates and at exercise prices that range from $.0001 to $35,000 per share. Warrants held at June 30, 2015 represented investments in 36 companies.

The Corporation invests in emerging companies which, in the event the companies become successful, could represent a significant portion of the investment balances at a given time. As of June 30, 2015, the five largest investments comprised 36.6% of the carrying value of the Corporation's total investments, with one investment comprising 12.2% of the carrying value of the Corporation's total investments.

NOTE 6 – LOANS

The Corporation extends commercial loans to customers located within Connecticut to advance certain economic development objectives consistent with their corporate mission and contractual obligations with the State of Connecticut. Loans are collateralized by assets acquired with the proceeds of the related loans. These loans have original terms of one to twenty-five years and bear interest as follows:

	Interest Rates (Percentages)
Growth Fund	3.0% - 8.219%
Connecticut Works Fund ("A")	2.0% - 7.0%
Operating Fund	5.04%
CBRA	5.5% - 6.0%

The Corporation's direct loan portfolio is comprised of 94 loans totaling $64,556,798. Of this amount, 87 loans totaling $54,026,647 (84%) are in the Growth and Connecticut Works Fund ("A"). The remaining $10,530,151 (16%) is comprised of 7 loans in the CBRA subsidiary and Operating Fund.

The ability of the borrowers to honor their contracts may be affected by a downturn in the State's economy, which may ultimately limit the funds available to repay interest and principal, thus the Authority provides for an allowance for loan losses (Note 6).

Nonperforming loans include loans that are over 61 days past due on June 30, 2015.

NOTE 6 – LOANS (CONTINUED)

Loans are presented in the statement of net position as follows:

Loans, current portion	$ 5,682,543
Loans, non-current portion	58,874,255
	64,556,798
Less: Allowance for doubtful accounts	(8,078,618)
Net	$ 56,478,180

NOTE 7 – ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses has been provided through charges against operations based upon management's evaluation of the loan portfolio for each fund and is maintained at a level believed adequate to absorb potential losses in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions, particularly in Connecticut.

Changes in the allowance for possible loan and guarantee losses by individual fund during the years ended were as follows:

	June 30, 2015							
	Loans				Guarantees			
	CBRA Subsidiary/ Insurance Fund	Growth Fund	Connecticut Works Fund (A)	Direct Loan Totals	Connecticut Works Fund (A) Guarantees	Connecticut Capital Access Fund	Guarantee Totals	Total Loans and Guarantees
Beginning balance	$ 856,628	$ 346,486	$ 5,788,620	$ 6,991,734	$ 76,832	$ 1,225,405	$ 1,302,237	$ 8,293,971
SSBCI De-enrollment	--	--	--	--	--	(170,000)	(170,000)	(170,000)
Provision	--	150,000	750,000	900,000	150,000	150,000	300,000	1,200,000
Charge-offs	--	--	--	--	--	--	--	--
Guarantee fees	--	--	--	--	--	(237,136)	(237,136)	(237,136)
Recoveries	--	50,081	136,802	186,883	--	22,864	22,864	209,747
Ending balance	$ 856,628	$ 546,567	$ 6,675,422	$ 8,078,617	$ 226,832	$ 991,133	$ 1,217,965	$ 9,296,582
Loan balances/exposure	$ 10,530,142	$ 6,107,045	$ 47,919,602	$ 64,556,789	$ 757,377	$ 1,989,777	$ 2,747,154	$ 67,303,943
Allowance balance as a percent of loans/ exposure	8.1%	8.9%	13.9%	12.5%	29.9%	49.8%	44.3%	13.8%

NOTE 7 – ALLOWANCE FOR LOAN LOSSES (CONTINUED)

At June 30, 2015, the Corporation had a recorded balance in impaired loans of $8,969,305 in the CBRA Subsidiary, Insurance Program, Growth Fund and Connecticut Works Fund (A), collectively. A loan is impaired when, based on current circumstances and events, a creditor expects to be unable to collect all amounts contractually due in accordance with the terms of the loan agreement.

All impaired loans have a specific allowance for possible loan losses included in the overall allowance for loan losses totaling $3,576,061 on June 30, 2015.

The average recorded investment in impaired loans for the year ended June 30, 2015 was $9,425,193 and income recorded on loans identified as being impaired totaled $185,147 of which $183,217 was recorded as revenue when received.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Corporation's employees may serve as directors and/or officers of portfolio companies and nonprofit organizations whose work advances the mission of the Corporation. Consistent with State law and the Corporation's own policies, employees receive no compensation or benefits from such organizations. Serving as directors or officers was contemplated as part of the employees' official duties. Certain employees of the Corporation also serve as directors of CTDC. (see Note 1).

During the year ended June 30, 2012, the Connecticut legislature created Connecticut Green Bank (CGB) (formerly known as the Clean Energy Finance and Investment Authority) the successor entity to the Connecticut Clean Energy Fund (CCEF) and directed that it be administered on a contract basis by the Corporation. The Corporation expended $477,161 in the year ended June 30, 2015 on behalf of CGB, for which the Corporation was reimbursed $427,645. $49,516 is owed by CGB to CI at June 30, 2015.

Pursuant to an agreement entered into as of March 21, 2013, a limited liability company, CEFIA Holdings LLC was established and CI became a member with a .1% membership interest with a $1,000 initial capital contribution. CGB holds a 99.9% membership interest with an initial capital contribution of $99,000.

NOTE 8 – RELATED PARTY TRANSACTIONS (CONTINUED)

Pursuant to Section 72 of Public Act 13-239, CI was appointed administrator of the Connecticut Bioscience Innovation Fund (CBIF). CI provided staff and all administrative support and services including marketing, accounting, legal, consulting, and paid all out of pocket costs associated with operating the fund, as well as all peer review costs. The corporation was reimbursed $500,000 of the costs incurred in the year ended June 30, 2015.

Pursuant to state statute, the Corporation is subject to fringe benefit charges for pension plan and medical plan contributions which are paid at the state level. The Corporation's payroll related taxes are also paid at the state level. The corporation reimburses the State for these payments. The reimbursement for fiscal year 2015 totaled of gross salaries.

Related party balances are as follows at June 30, 2015:

Due to CBIF	$ 17,811,739
Due from the Connecticut Green Bank	$ 49,516
Membership Interest - CEFIA Holdings LLC	$ 1,000

NOTE 9 – DUE FROM STATE OF CONNECTICUT

At June 20, 2014, the State of Connecticut had available $9,496,918 of funds due to the Corporation under Connecticut General Statutes Public Act 93-1 to support general operations. During the fiscal year ended June 30, 2015, The Corporation used $8,394,490 of the funds available to offset payroll costs for the year. It is management's intent as of June 30, 2015 to use the remaining $1,102,428 of funds available to offset payroll costs in 2016.

NOTE 10 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 is as follows:

	Balance, July 1, 2014	Additions	Deletions	Other	Balance, June 30, 2015
Capital assets being depreciated:					
Furniture and equipment	$ 326,537	$ --	$ (3,395)	$ --	$ 323,142
Computer hardware and software	872,214	172,166	(76,766)	--	967,614
Leasehold improvements (CI and CTech)	122,949	--	--	--	122,949
Construction in progress	5,163	--	(5,163)	--	--
	1,326,863	172,166	(85,324)	--	1,413,705
Less accumulated depreciation and amortization:					
Furniture and equipment	307,108	35,097	(3,395)	--	338,810
Computer hardware and software	543,246	178,979	(76,766)	--	645,459
Leasehold improvements (CI and CTech)	62,916	25,534	--	--	88,450
	913,270	239,610	(80,161)	--	1,072,719
Capital assets - net	$ 413,593	$ (67,444)	$ (5,163)	$ --	$ 340,986

NOTE 11 – STATE FUNDING

In 2015, the Corporation received $107,222,422 from the State of Connecticut under approved bond fund authorizations to provide financial assistance to high technology companies and regenerative medicine research. These funds were provided as follows: $44,354,358 for the Connecticut Bioscience Collaboration Program for facility and equipment loans; $15,000,000 for operating assistance to the Jackson Laboratory for Genomic Medicine; $25,000,000 from the CT Jobs Bill, $19,876,564 for Regen, and $2,991,500 from the BioFacilities Fund.

As of June 30, 2015, $110,921,216 remained available to the corporation from bond fund authorizations as follows:

Connecticut Bioscience Collaboration Program:	
Loans	$ 46,560,216
Operating Grant	64,361,000
	$ 110,921,216

NOTE 12 – BONDS PAYABLE

The bonds of the General Operating Fund bear interest at 5.25 percent. The principal and interest payable as of June 30, 2015 are as follows:

Year ending June 30,	Principal General Obligation Bonds	Interest General Obligation Bonds
2016	$ 500,000	$ 131,775
2017	525,000	104,869
2018	555,000	76,519
2019	585,000	46,594
2020	595,000	15,619
	$ 2,760,000	$ 375,376

Outstanding principal of the General Operating Fund's General Obligation Bonds is as follows:

	Original Amount	Outstanding Principal June 30, 2015
2004 Series B, 2.37 - 5.25 percent, $6,725,000 with $3,965,000 in aggregate principal amount of serial bonds maturing on October 15 in the years 2005 through 2014, both inclusive; $2,760,000 in aggregate principal amount of term bonds maturing on October 15, 2019. Callable at par under special circumstances.	$ 6,725,000	$ 2,760,000
Less: current portion		500,000
Long-term portion		$ 2,260,000

Costs incurred in issuing revenue bonds are capitalized and amortized to interest expense using the effective interest method over the terms of the bonds. Amortization expense for the year ended June 30, 2015 was $57,460.

NOTE 13 – OPERATING LEASES

The Corporation leases its office and laboratory space from unrelated third parties under operating leases ending December, 2020, and August, 2015 respectively.

Future minimum lease payments under these leases are as follows:

Years ending June 30,		
2016	$	385,675
2017		383,990
2018		394,095
2019		404,200
2020		414,305
Thereafter		209,679
	$	2,191,944

Rent expense for all facilities for the year ended June 30, 2015, was $538,594.

NOTE 14 – PENSION PLAN

PLAN DESCRIPTION

SERS is a cost-sharing, multi-employer defined benefit Public Employees' Retirement System (PERS) established in 1939 and governed by Sections 5-152 and 5-192 of the Connecticut General Statutes. Employees are covered by one of four tiers. Tier I, Tier IIA and Tier III are contributory plans, and Tier II is a noncontributory plan. Tier I requires an employee contribution of 2% or 5% of salary, while Tier IIA and Tier III require a contribution of 2%. Employees who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Employees who joined the retirement system after July 1, 1984 but before July 1, 1997 are enrolled in Tier II. Employees first hired on or after July 1, 1997 but before July 1, 2011 are members of Tier IIA. Employees hired on or after July 1, 2011 are members of Tier III. All Tier I and Tier III members are vested after 10 years of service while all Tier II and Tier IIA members are vested after 5 years of service under certain conditions, and all four tiers provide for death and disability benefits.

NOTE 14 – PENSION PLAN (CONTINUED)

Tier I employees who retire at or after age 65 with 10 years of credited service, or at or after age 55 with 25 years of service, are entitled to an annual retirement benefit payable monthly for life, in an amount of 2% of the annual average earnings (which are based on the three highest earning years of service) over $4,800 plus 1 percent of $4,800 for each year of credited service. Employees at age 55 with 10 years but less than 25 years of service, or at age 70 with 5 years of service, are entitled to a reduced benefit.

Tier II and Tier IIA employees who retire at or after age 63 with 25 years of service, or at age 65 with 10 years of service, or at age 70 with 5 years of service, are entitled an annual retirement benefit payable monthly for life, in an amount of one and one third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. In addition, any years of service over 35 would be at one and five-eighths percent. Employees who attain age 55 with 10 years of service are entitled to a reduced benefit. The 2011 State Employees Bargaining Agent Coalition Agreement (Agreement) provides current Tier II and Tier IIA members who remain employed after July 1, 2022, the opportunity for a one-time irrevocable election to retain the normal retirement eligibility in place prior to the Agreement. The election would require an additional employee contribution based on their original retirement date. Under the prior agreement, normal retirement eligibility was age 60 and 25 years of service or age 62 and 10 years of service.

Tier III employees who retire on or after the first of any month after age 63, with at least 25 years of vested service, or age 65 with at least 10 but less than 25 years of vested service, will be eligible for normal retirement. In addition, Tier III members who have at least 10 years of vested service can receive early reduced retirement benefits if they retire on the first of any month on or following their 58th birthday. Tier III normal retirement benefits include annual retirement benefits for life, in the amount of one and one-third percent of the five year average annual earnings plus one-half of one percent of the five year average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service plus one and five-eighths of the five year average annual average salary times years of credited service over 35 years.

The total payroll for employees of the Corporation covered by SERS for the years ended June 30, 2015 was $6,118,180.

NOTE 14 – PENSION PLAN (CONTINUED)

CONTRIBUTIONS MADE

The Corporation's contribution is determined by applying a State mandated percentage to eligible salaries and wages as follows:

Contributions made:		
By employees	$	189,221
Percent of current year covered payroll		3.1%
By the Corporation	$	3,310,649
Percent of current year covered payroll		54.1%

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2014, the Corporation did not report a liability for its proportionate share of the net pension liability. Due to the implementation GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Corporation must now report its proportionate share of net pension liability, effective for fiscal year 2015, which is based on the June 30, 2014 measurement date. The Corporation's proportionate share of net pension liability as of June 30, 2014, which was based on a June 30, 2013 measurement date, has been recorded as an adjustment to opening net position. GASB 68 requires the Corporation to recognize a net pension liability for the difference between the present value of projected benefits for past services, known as the Total Pension Liability (TPL), and the restricted resources held in trust for the payment of pension benefits, known as the Fiduciary Net Position (FNP). For purposes of measuring the net position liability, deferred outflows or resources, deferred inflows of resources, and pension expense, information about the FNP of SERS and additions to and deductions from SERS FNP have been determined on the same basis as reported by SERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit term. Investments are recorded at fair value.

At June 30, 2014, the Corporation reported a liability of $28,018,735 for its proportionate share of the net pension liability. The net pension liability at June 30, 2015 was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of that date. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to the projected contributions of all participating component units, actuarially determined. At June 30, 2015, the Corporation's proportion was 0.1749 percent.

NOTE 14 – PENSION PLAN (CONTINUED)

For the year ended June 30, 2015, the Corporation recognized pension expense of $2,221,910, which is included in benefits and payroll taxes on the accompanying Statement of Revenues, Expenses and Changes in Net Position. At June 30, 2015, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ --	$ (1,000,670)
Contributions subsequent to the measurement date	3,310,649	--
Total	$ 3,310,649	$ (1,000,670)

Deferred outflows of resources of $3,310,649 represents the Corporation's contributions subsequent to the measurement date from July 1, 2014 to June 30, 2015. This amount will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Deferred inflows of resources represents the Corporation's share of the net difference between projected and actual earnings of the Plan. This amount will be amortized over a five year closed period beginning in the year in which the difference occurred and will be recognized in expense as follows:

Years ended June 30,	
2016	$ (250,168)
2017	(250,168)
2018	(250,167)
2019	(250,167)
	$ (1,000,670)

NOTE 14 – PENSION PLAN (CONTINUED)

ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2014 actuarial valuation was determined based on the results of an actuarial experience study for the period from July 1, 2007 to June 30, 2014. The following major actuarial assumptions have been applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	4.0 to 20.0 percent, including inflation
Investment rate of return	8.0 percent, net of pension plan investment expense, including inflation
Cost of living adjustment	2.30 to 3.60 percent, for certain tiers

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21%	5.8%
Developed Non-U.S. Equities	18%	6.6%
Emerging Market (non-U.S.)	9%	8.3%
Real Estate	7%	5.1%
Private Equity	11%	7.6%
Alternative Investments	8%	4.1%
Fixed Income (Core)	8%	1.3%
High-Yeild Bonds	5%	3.9%
Emerging Market Bonds	4%	3.7%
TIPS	5%	1.0%
Cash	4%	0.4%
	100%	

NOTE 14 – PENSION PLAN (CONTINUED)

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from component units of the State will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

There is a sensitivity of the Corporation's proportionate share of the net pension liability in relation to changes in the discount rate. The following presents the Corporation's proportionate share of the net pension liability calculated using the current discount rate of 8.00 percent, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Corporation's proportionate share of the net pension liability	$ 33,424,148	$ 28,018,735	$ 23,472,847

NOTE 15 – GAIN SHARING PLAN

In 1999 the Board of Directors established a nonqualified performance-based gain sharing plan. In any year, any employee in good standing who was an employee at the end of the year is eligible. Under this plan, the Corporation sets aside an amount based upon 5% of the net realized gains, if any, on the Eli Whitney equity and certain other equity investments reduced by any unrealized losses reducing the value of an investment below cost.

Allocations for each eligible participant are based on each participant's contribution toward the achievement by the Corporation of its statutory objectives under Section 32-39 of the Connecticut General Statutes.

Allocations vest at a rate of 25% per year, beginning no later than October 1 of the year that the award was approved and on the three one-year anniversaries thereafter. In order for vesting to occur, the employee must remain in good standing, and amounts may be offset by future net losses should such occur.

NOTE 15 – GAIN SHARING PLAN (CONTINUED)

In 2006, the Board of Directors voted to terminate the plan effective July 1, 2009. Participants of the plan would still be eligible to receive distributions for investments held by the Corporation on that date. Plan liabilities would cease when all investments held by the plan on the termination date are either sold or written off. In 2009, the Board of Directors voted to delay termination of the plan until July 1, 2010. The plan terminated on July 1, 2010.

For the year ended June 30, 2015, $303,653 was added to the plan as a result of the combination of realized and net unrealized gains/losses. The amount reduced the gain share loss carry forward and will increase the total funds available, if any, for future gain share payments to employees. No allocations or payments to employees were made in 2015.

NOTE 16 – HARTFORD WHALERS TRANSACTION

In connection with an XL Center transaction, the Corporation, as successor to the Connecticut Development Authority (Authority), obtained the right of first refusal to acquire the Hartford Whalers National Hockey League franchise (Whalers) for $47,500,000. The Authority exercised such right on June 27, 1994 and simultaneously sold the Whalers to KTR Hockey Limited Partnership (Partnership) for cash of $22,000,000 and a package of deferred payments with an estimated value of $25,500,000 as determined by the Authority after performing a review of the Whalers' projected operating results.

On June 18, 1997, the Corporation, as successor to the Authority, and the Whalers entered into a "Settlement Agreement." Under the terms of the agreement, the Whalers were permitted to relocate their hockey franchise and in return, the Whalers agreed to pay the Authority $20,500,000 plus interest on a portion of such principal. The principal payments commenced on July 1, 1997 with the payment of $5,000,000. Future installments of principal ranging from $1,000,000 to $1,050,000 were due annually on July 1, 1998 through July 1, 2012. The payment stream along with all XL Center revenues is pledged to cover the annual debt service of the Corporation's 1993 Series A and 2004 C General Obligation bonds. On July 21, 2010, a modification to the payment terms was granted extending the last three annual payments commencing July 1, 2010 to six annual payments in exchange for a personal guarantee of $2.1 million that was acceptable to management and CDA's general counsel. The Corporation, as successor to the Authority, recognized the installment of principal due and the modification of the three additional years through July 1, 2015, as income when the payments are received.

In addition, the Whalers and the Corporation, as successor to the Authority, each have granted the other party a mutual release of all claims. The Corporation also retains the rights to the Whalers' name, logo, and NHL Franchise Area.

NOTE 17 – REGENERATIVE MEDICINE RESEARCH FUND

CONNECTICUT GENERAL STATUES SEC. 32-41LL. (2) (F)

Connecticut Innovations, Incorporated, shall serve as administrator of the Regenerative Medicine Research Fund and shall, in consultation with the Regenerative Medicine Research Advisory Committee: (1) Develop the application for the grants-in-aid authorized under subsection (b) of section 32-41kk; (2) review such applications; (3) review recommendations of the Regenerative Medicine Research Advisory Committee, established pursuant to section 32-41mm; (4) prepare and execute any assistance agreements or other agreements in connection with the awarding of such grants-in-aid; (5) develop performance metrics and systems to collect data from recipients of such grants-in-aid; (6) collect information from such recipients concerning each recipient's employment statistics, business accomplishments and performance outcomes, peer review articles and papers published, partnerships and collaborations with other entities, licenses, patents and invention disclosures, scientific progress as it relates to the commercialization of intellectual property funded by such grants-in-aid, efforts to commercialize such intellectual property, and other funds received for research; and (7) performing such other administrative duties as the Regenerative Medicine Research Advisory Committee deems necessary.

For the fiscal year ended June 30, 2015 Connecticut Innovations received $19,876,563 in funding from the State of Connecticut and expended $8,408,071 for use in the Regenerative Research Fund. $11,476,014 will be carried over for use in the program after June 30, 2015.

NOTE 18 – CONNECTICUT BIOSCIENCE COLLABORATION PROGRAM

In 2011, the Connecticut General Assembly enacted Public Act 11-2 (the Act) to support the establishment of a bioscience cluster anchored by a research laboratory housed in Farmington, CT. The Act provides that CI shall work with an organization to develop, construct and equip a structure for use as a research laboratory. The Act also authorized CI to make loans to this organization to complete the project. To fund this project the Act provides that the State Bond Commission shall authorize the issuance of bonds in the amount not to exceed $290,685,000. The Board of CI then approved an application from Jackson Laboratories and entered into a funding agreement with Jackson Laboratories (Jax) on January 5, 2012 to develop, construct and equip a 189,000 square foot laboratory and operate a genomics medicine research program in Farmington, CT.

The funding agreement provides for 1) a maximum $145 million loan to Jax to design and construct the facility 2) a maximum loan of $46.7 million loan to Jax for furniture, fixtures and equipment and 3) provide $99 million in development grants for annual operating expenses and bioscience medical research. The loans accrue simple interest at 1% per year.

NOTE 18 – CONNECTICUT BIOSCIENCE COLLABORATION PROGRAM (CONTINUED)

The loans and accrued interest will be forgiven if Jax meets an employment goal of 300 employees for a period of 6 months, including a minimum of 90 senior scientists within 10 years. As of June 30, 2015, the loan amount outstanding is $144,486,956.

Based upon information reviewed by CI management, management believes it is probable that Jax is on target to meet its employment goals to make the loans forgivable. CI has therefore elected to reserve in full for the outstanding loans. Interest is not being accrued.

In consideration of the loans and the grants, CI is entitled to a share of all net royalty revenue received. Jax shall pay to CI ten percent (10%) of the first $3,000,000 of all net royalty revenue received and fifty percent (50%) of all net royalty revenue received over $3,000,000 in any calendar year. No net royalty revenue was received for the year ended June 30, 2015.

NOTE 19 – RISK MANAGEMENT

The Corporation is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses exceeding insurance coverage, and there have been no decreases in insurance coverage over the last three years.

NOTE 20 – RESTRICTED NET ASSETS

At June 30, 2015, restricted net position consisted of funds restricted for the following:

Loan Guarantees	$ 1,075,508
Bonding Resolution Compliance	357,682
Urbank Enabling Legislation	2,253,668
REGEN (Stem Cell)	11,476,014
	$ 15,162,872

NOTE 21 – OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK AND COMMITMENTS

OFF-BALANCE-SHEET RISK

The Corporation is a party to off-balance-sheet financial transactions in the normal course of business. These may expose the Corporation to credit risks in excess of the amounts recognized on the balance sheet.

NOTE 21 – OFF-BALANCE SHEET RISK, CONCENTRATION OF CREDIT RISK AND COMMITMENTS (CONTINUED)

OFF-BALANCE-SHEET RISK (CONTINUED)

The Corporation's exposure to credit loss in the event of nonperformance by the other party to the off-balance-sheet financial transactions is represented by the contractual amount of those instruments. Total credit exposure related to these items at June 30, 2015 is summarized below:

	Contract Amount
Loan commitments:	
Connecticut Redevelopment Authority	$ 1,100,000
Connecticut Works Fund ("A")	1,213,593
	$ 2,313,593
Equity commitments:	
Eli Whitney Fund	$ 2,365,883
SSBCI	934,040
PreSeed Fund	375,000
BioFacilities Fund	117,341
	$ 3,792,264
Loan guarantees:	
Connecticut Capital Access Fund	$ 2,632,262

Loan commitments, equity commitments, commitments to guarantee, and guarantees are generally made using the same underwriting standards as those funded and recorded on the statement of net position.

CONCENTRATIONS OF CREDIT RISK

The Corporation has granted commercial loans, equity investments, and loan guarantees to customers in Connecticut. The majority of the Corporation's loan portfolio is comprised of commercial mortgage loans secured by business assets located principally in Connecticut. Certain customers of the Corporation also transact business with the State or its agencies.

NOTE 22 – LITIGATION

The Corporation is involved in litigation arising from its operations. After review of all significant matters with counsel, management believes that the resolution of these matters will not materially affect the Corporation's financial position or results of operations.

CONNECTICUT INNOVATIONS, INCORPORATED
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2015

Corporation's portion of the net pension liability	0.17496%
Corporation's proportionate share of the net pension liability	$ 28,018,735
Corporation's covered-employee payroll	$ 6,118,180
Corporation's proportionate share of the net pension liability as a percentage of its covered-employee payroll	457.96%
Plan fiduciary net position as a percentage of the total pension liability	39.54%

CONNECTICUT INNOVATIONS, INCORPORATED
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS TO THE STATE EMPLOYEES' RETIREMENT SYSTEM (SERS)

FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 3,310,649	$ 3,403,927	$ 2,587,513	$ 2,479,767	$ 2,709,889	$ 2,639,974
Contributions in relation to the contractually required contribution	3,310,649	3,403,927	2,587,513	2,479,767	2,709,889	2,639,974
Contribution deficiency (excess)	$ --	$ --	$ --	$ --	$ --	$ --
Corporation's covered-employee payroll	$ 6,118,180	$ 5,870,102	$ 5,241,997	$ 5,826,210	$ 5,398,526	$ 6,694,481
Contributions as a percentage of covered-employee payroll	54.11%	57.99%	49.36%	42.56%	50.20%	39.44%

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
Connecticut Innovations, Incorporated

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 statement of net position, statement of revenues, expenses and changes in net position, and statement of cash flows of Connecticut Innovations, Inc. (CI) (a component unit of the State of Connecticut) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CI's financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CI's internal control over financial reporting (internal control) to determine the 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 CI's internal control. Accordingly, we do not express an opinion on the effectiveness CI'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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify one deficiency in internal control, described below, that we consider to be a material weakness.

Marcum LLP ▪ City Place II ▪ 185 Asylum Street ▪ 17th Floor ▪ Hartford, Connecticut 06103 ▪ Phone 860.760.0600 ▪ Fax 860.760.0601 ▪ www.marcumllp.com

Criteria

All assets of an organization should be identified and properly controlled by management, and recorded within the financial records. Budgets should be established, procedures followed, and activity regularly monitored for special events involving CI.

Condition:

A bank account used for marketing events went unrecorded until brought to management's attention by the staff who possessed and had control over the account. Receipts and disbursements into and from this account on behalf of CI had not followed CI procedures and the financial activity not been recorded in CI's general ledger and related financial reporting.

Cause:

Lack of monitoring over marketing events and their related budgets. Such monitoring would have disclosed more financial activity than had been actually recorded, and we believe led to the discovery of the aforementioned bank account.

Effect:

While no fraud was identified based upon the report of CI's outside forensic accountant, receipt and disbursement procedures were not followed and a bank account existed which management was unaware of. Subsequent to the discovery, the bank account was recorded in CI's general ledger and financial reporting.

Recommendation:

Budgets should be established for all special events and related financial activity monitored to ensure procedures are followed and all activity and accounts used are properly reflected in the financial records.

Views of Responsible Officials:

In 2014, additional procedures were implemented where budgets for special events are submitted, approved and monitored by the accounting department. The activity described above, relates mainly to a 2012 event. CI has subsequently secured all funds and concluded that no fraud was identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CI'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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Hartford, CT
November 23, 2015