VIPC | VIRGINIA INNOVATION PARTNERSHIP CORPORATION
Connecting Innovators with Opportunity

VIPC Financial Report
as of December 31, 2023

Presented to the VIPC Finance Committee

Joe Benevento, VIPC Interim President and CEO
Dale Lachniet, VIPC Interim Chief Financial Officer

March 18, 2024

Agenda

VIPC | VIRGINIA INNOVATION PARTNERSHIP CORPORATION
Connecting Innovators with Opportunity

I. VIPA – FY24 Budget Overview

II. VIPC – FY24 Forecast Update

III. VIPA/VIPC – Consolidated Statement of Net Position

IV. SSBCI – Program Update

Introduction – Interim CFO

VIPC | VIRGINIA INNOVATION PARTNERSHIP CORPORATION
Connecting Innovators with Opportunity

DALE LACHNIET
Managing Director, Fahrenheit Advisors
Interim CFO, VIPC

FAHRENHEIT ADVISORS

Dale Lachniet is a seasoned Financial and Operations Executive with over 35 years of experience. He has significant Operations and Finance experience which gives him the ability to ensure that all aspects of an operation are considered in significant decisions impacting the enterprise. He spent the first 11 years of his career working in Public Accounting with Price Waterhouse and Ernst and Young serving a variety of clients from public companies to not for profits. He then spent 13 years as a Division Controller for a public communications company with over a billion in revenue, and then 7 years leading components of their production and distribution operations nationwide. Dale also spent 5 years serving as a Regional VP and Publisher for a group of newspapers on the East Coast based out of Fredericksburg, Virginia. From there he went on to spend almost 2 years as the VP and Corporate Controller of the Parent company leading the effort to successfully consolidate two large companies' financial functions, systems and processes after their acquisition.

Dale has worked on consolidating financial and operations activities on over 30 acquisitions (both as the acquiree and acquirer). His experience also includes working with a Foundation that manages a significant investment portfolio and work with private equity firms. Dale has led significant system implementation projects and coordinated efforts with outside investment bankers and investment advisors.

Introduction – Interim CFO

DALE LACHNIET
Managing Director, Fahrenheit Advisors
Interim CFO, VIPC

FAHRENHEIT ADVISORS

FUNCTION & SPECIALIZATION

- Leading financial operations across an enterprise to ensure accurate and timely closing of books and all internal and external financial reporting
- Building and growing exceptional finance and operations teams to help lead a successful organization
- Implementation and execution of internal controls
- Leading, planning, and fixing system implementations
- Leading integration of acquisitions from both financial and an operational perspective.
- Acquisition assessment and analysis from both a financial and an operational perspective

REPRESENTATIVE CLIENTS & PAST EXPERIENCES

- University of Mary Washington Foundation
- Corporate Visions
- Car Lotz
- Lee Enterprises Inc.
- BH (Berkshire Hathaway) Media Group
- Media General Inc.
- Ernst & Young
- Price Waterhouse

EDUCATION & CERTIFICATIONS

- B.S., Accounting, Liberty University
- Certified Public Accountant Virginia

VIPA | FY24 Budget Overview

(Fiscal Year ends June 30)

	(In Thousands) Forecast FY2024
Revenue	
Commonwealth Appropriation - General Fund	$ 42,396
Interest & Misc. Income	180
Total Revenue	42,576
Expenses and Transfers	
VIPA Administrative Expense	3
Appropriation transfers to VIPC	17,046
Appropriation disbursements to Centers of Excellence	25,350
Total Expenses & Transfers	42,399

Virginia Innovation Partnership Corporation (VIPC)	
Commercialization	$ 5,000
Investment	3,100
Entrepreneurial Ecosystems	3,000
Strategic Initiatives	1,000
Unmanned Systems	1,000
Corporate	3,946
	$ 17,046

Centers of Excellence (COE)	
Virginia Biosciences Health Research Corporation (VBHRC aka VA Catalyst)	$ 3,750
Commonwealth Cyber Initiative (CCI)	17,500
Commonwealth Center for Advanced Manufacturing (CCAM)	3,625
Commonwealth Center for Advanced Logistics (CCALS)	350
Virginia Academy of Science, Engineering and Medicine (VASEM)	125
	$ 25,350

- Total FY24 State Budget Appropriation to **VIPA** is **$42M**
- **$17M** provided for **VIPC** operations and programs
- **$25M** provided for **Centers of Excellence (COE)** via VIPA pass-through
- VIPC divisional funding amounts are specifically defined in Budget Code
- COE funding amounts are specifically defined in Budget Code

VIPC | FY24 Forecast (6 months actual + 6 months forecast)

	Operating Funds				Designated Funds					
	COV	Other	Investment Division		COV					
	Corporate	Grants & Contracts	SSBCI	VVP	Commercialization Division	Entrepreneurial Ecosystems Division	Strategic Initiatives Fund	Unmanned Systems Fund	Building Sale Proceeds for Opp Fund/ 127.O	Total
				(In Thousands)						
Beginning Balance at 7/1/2023	$ 1,940	$ 1,375		$ 10,111	$ 29,756	$ 6,273	$ -	$ 590	$ 19,863	$ 69,908
REVENUE										
State General Fund Appropriation	$ 3,946			$ 3,100	$ 5,000	$ 3,000	$ 1,000	$ 1,000		$ 17,046
Investment Returns, Interest Income, Other	$ 1,917			$ 4,941	$ 1,501	$ 358	$ 62			$ 8,779
Federal and State Grants & Contracts		$ 5,055	$ 12,230							$ 17,285
Total Revenue	$ 5,863	$ 5,055	$ 12,230	$ 8,041	$ 6,501	$ 3,358	$ 1,062	$ 1,000	$ -	$ 43,110
EXPENSES AND TRANSFERS										
Operating and Designated Programs	$ 6,225			$ 2,347	$ 1,294	$ 968	$ 1,062	$ 1,522	$ 400	$ 13,819
Investments/Grants			$ 11,329	$ 1,730	$ 8,335	$ 1,475			$ 3,000	$ 25,869
Federal and State Grants & Contracts Operating Expenses		$ 4,748	$ 901							$ 5,649
Transfers and Indirect Application to Designated Programs	$ (500)	$ 300		$ 39	$ 91	$ 23		$ 14	$ 32	$ -
Total Expenses	$ 5,725	$ 5,048	$ 12,230	$ 4,116	$ 9,720	$ 2,466	$ 1,062	$ 1,536	$ 3,432	$ 45,337
Net Change	$ 138	$ 7	$ -	$ 3,925	$ (3,219)	$ 892	$ -	$ (536)	$ (3,432)	$ (2,227)
Forecasted Ending Balance at 6/30/2024	$ 2,078	$ 1,382	$ -	$ 14,036	$ 26,537	$ 7,165	$ -	$ 54	$ 16,431	$ 67,681

Designated Funds are amounts which are to be spent on a specific purpose stated in the Appropriation Act

- Realized investment returns and interest income are substantially higher than original budget due to greater cash balances, higher interest rates, and actual investment exit returns.
- We expect to deploy ~$12M of SSBCI capital for direct investments in FY24.
- We expect Commercialization Division to deploy ~$8M in grants in FY24 (vs. original budget of $11M) as we better align program execution with Commonwealth Commercialization Fund (CCF) stated guidelines and strategic objectives.

VIPA / VIPC | Cash Accounts (as of Dec 31, 2023)

VIPA		
CASH AND CASH EQUIVALENTS		
Checking account	$	132,430
VIPA - Local Government Investment Pool - overnight investment with State Treasurer		2,587,867
Total	$	2,720,297

VIPC		
CASH AND CASH EQUIVALENTS		
Petty cash	$	337
Checking account		191,668
Schwab brokerage account		3,137
VIPC - Local Government Investment Pool - overnight investment with State Treasurer		83,316,900
VIPC - Local Government Investment Pool - Extended Maturity		40,214
VIPC - Local Government Investment Pool - Commonwealth Energy Fund		144
VIPC - Local Government Investment Pool - SSBCI		8,003,969
Total	$	91,556,369

- Currently earning ~5.5% on nearly all cash accounts

VIPA / VIPC | Consolidated Statement of Net Position (as of Dec 31, 2023)

	VIPA	VIPC	ELIMINATING ENTRY	BALANCE 12/31/2023	BALANCE 12/31/2022	Change
ASSETS			*(In Thousands)*			
Current assets:						
Cash and cash equivalents	$ 2,720	$ 91,556	$ -	$ 94,276	$ 81,445	$ 12,831
Accounts and accrued receivables (net of allowance)	-	1,643	-	1,643	1,778	(135)
Prepaid expenses & deposits	-	91	-	91	117	(26)
Notes Receivable (VVP convertible debt)	-	6,212	-	6,212	4,456	1,756
Less: allowance for doubtful accounts	-	(6,212)	-	(6,212)	(4,456)	(1,756)
Due from VIPC (COE Appropriations)	9,092	-	(9,092)	-	-	-
Total current assets	**11,812**	**93,290**	**(9,092)**	**96,010**	**83,340**	**12,670**
Noncurrent assets:						
Notes Receivable (VVP convertible debt)	-	5,775	-	5,775	4,750	1,025
Less: allowance for doubtful accounts	-	(5,775)	-	(5,775)	(4,750)	(1,025)
Total noncurrent assets	**-**	**-**	**-**	**-**	**-**	**-**
Capital assets:						
Furniture, Fixtures and Equipment	-	93	-	93	-	93
Less: accumulated depreciation	-	(4)	-	(4)	-	(4)
Right to use asset	-	124	-	124	723	(599)
Less: accumulated amortization	-	(34)	-	(34)	(386)	352
Intangible Right to use subscription asset	-	51	-	51	-	51
Less: accumulated amortization	-	(32)	-	(32)	-	(32)
Total capital assets	**-**	**198**	**-**	**198**	**337**	**(139)**
Total assets	**11,812**	**93,488**	**(9,092)**	**96,208**	**83,677**	**12,531**
LIABILITIES						
Current liabilities:						
Due to VIPA (COE Appropriations)	-	9,092	(9,092)	-	-	-
Accounts payable, accrued expenses & unearned revenue	9,092	10,686	-	19,778	12,244	7,534
Lease obligations	-	84	-	84	328	(244)
Total current liabilities	**9,092**	**19,862**	**(9,092)**	**19,862**	**12,572**	**7,290**
Noncurrent liabilities:						
Accrued expenses	-	168	-	168	130	38
Lease obligations	-	6	-	6	10	(4)
Total noncurrent liabilities	**-**	**174**	**-**	**174**	**140**	**34**
Total liabilities	**9,092**	**20,036**	**(9,092)**	**20,036**	**12,712**	**7,324**
NET POSITION						
Investment in capital assets	-	109	-	109	(1)	110
Unrestricted net position	2,720	73,343	-	76,063	70,966	5,097
Total net position	**$ 2,720**	**$ 73,452**	**$ -**	**$ 76,172**	**$ 70,965**	**$ 5,207**

- Consolidated cash balance increased by $12.8M to $94.3M
  - SSBCI funds that have not yet been deployed (~$8M).
  - Higher interest income and investment returns.
- Cash balance includes $9M in appropriations for COEs received in December to be paid in January.
- Increased liabilities represent deferred revenue for SSBCI funds not yet deployed.

SSBCI – Program Overview

SSBCI Program Overview

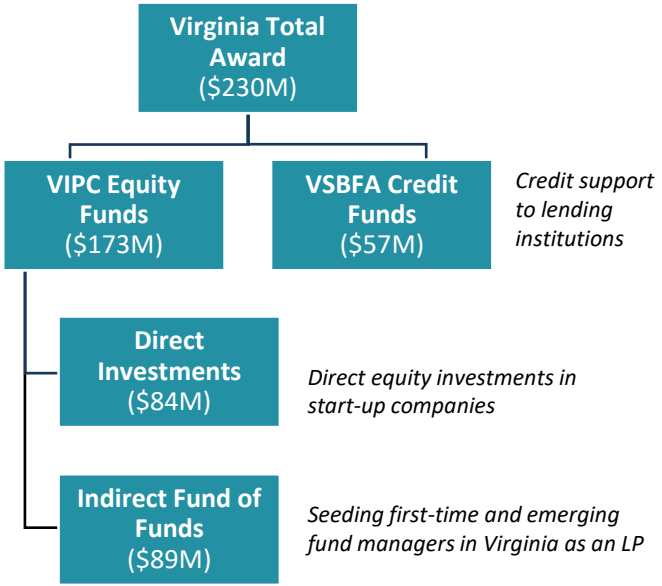
- The federal American Rescue Plan Act in 2021 authorized new $10B State Small Business Credit Initiative ("SSBCI") with goal of promoting American entrepreneurship, supporting small business ownership, democratizing access to capital in underserved communities
  - Program targets long-term private sector capital leverage of 10:1
- In Dec 2022, Virginia was awarded an allocation of ~$230M (8th largest state award in nation) comprised of two sub-programs: *Venture Equity* (VIPC - $173M) and *Credit* (VSBFA - $57M)
  - Virginia was awarded 3rd largest *Venture Equity* allocation of any state in the country
- Total funding award is disbursed to Virginia across 3 tranches (~$72 million per tranche)
  - Virginia is not eligible to request Tranche 2 until Tranche 1 is *80% committed*
- VIPC/VSBFA hosted U.S. Treasury for an in-person, all-day meeting in Richmond on 2/9
  - U.S. Treasury views VIPC as a leader in the nation for SSBCI *Venture Equity* program

Enhanced collaboration between VIPC/VSBFA has now aligned strategy and goals for both equity & credit

Virginia SSBCI Award Allocation

VIPC

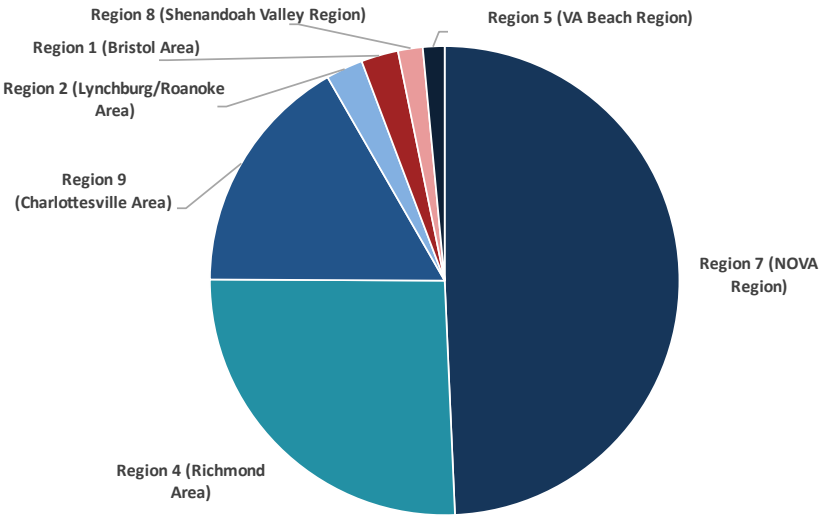
VSBFA
Virginia Small Business Financing Authority



SSBCI – Direct Investment Overview

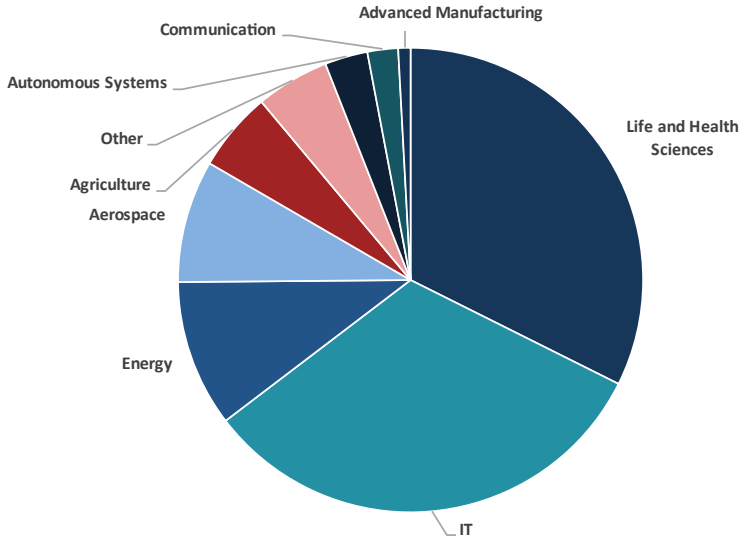
Region – Total $ Investments

FY2024 YTD data through 03/04/2024



Sector – Total $ Investments

FY2024 YTD data through 03/04/2024



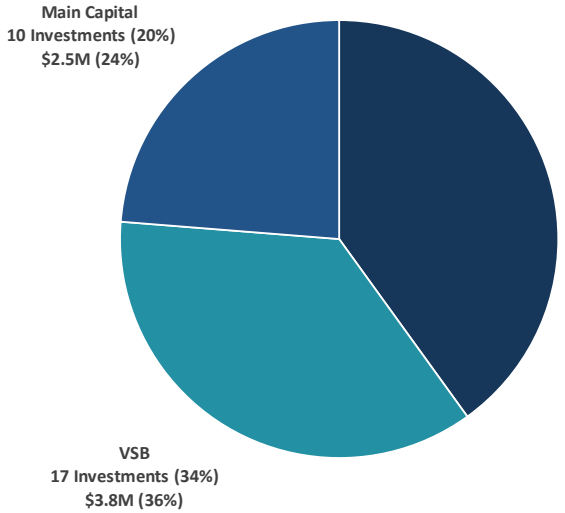
~50 direct investments totaling ~$11M since inception to date (Jan 2023)

SSBCI – Direct Investment Overview

Diversity/Small Business – Total $ Investments

FY2024 YTD data through 03/04/2024

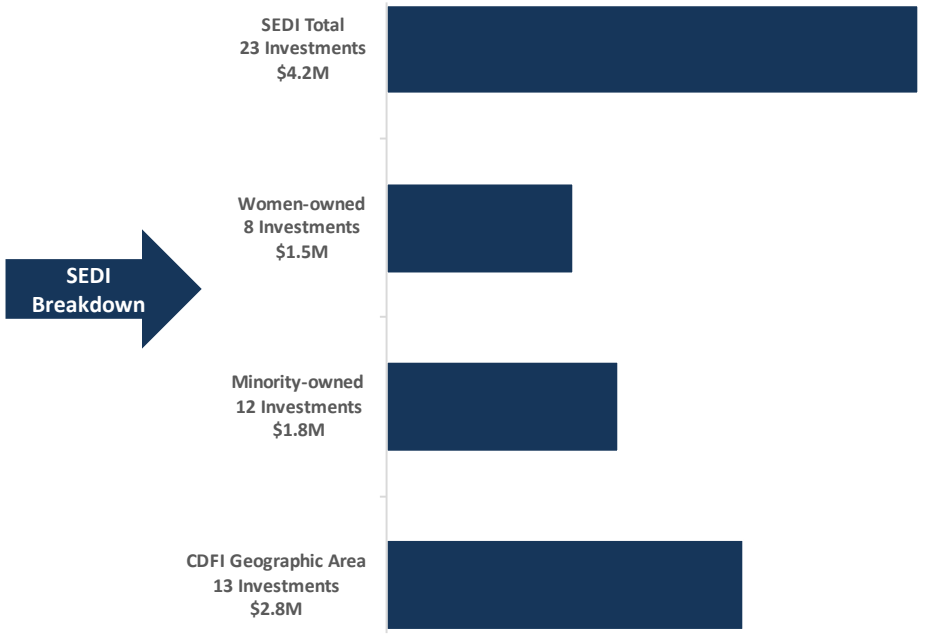
- **SEDI:** Socially and Economically Disadvantaged Individuals
- **VSB:** Very Small Businesses. Business with fewer than 10 employees
- **Main Capital:** All other investments that do not fall into the above categories



SEDI Breakdown – Total $ Investments

FY2024 YTD data through 03/04/2024

Note: Categories are not mutually exclusive.



~40% of direct investment has been SEDI which exceeds our SSBCI stated target of 33%