

**MARYLAND TECHNOLOGY DEVELOPMENT CORPORATION**

**COLUMBIA, MARYLAND**

---

**OMB CIRCULAR A-133 FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2009**

**Maryland Technology Development Corporation  
A Component Unit of the State of Maryland**

**OMB Circular A-133 Financial Report  
June 30, 2009**

**Table of Contents**

	<u>Pages</u>
Independent Auditors' Report	
Management's Discussion and Analysis	1-9
Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Notes to Financial Statements	12-22
Supplementary Information	
Schedule of Expenditures of Federal Awards	24
Note to Schedule of Expenditures of Federal Awards	25
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	28-29
Schedule of Findings and Questioned Costs	30



## Independent Auditors' Report

The Board of Directors  
Maryland Technology Development Corporation  
Columbia, Maryland

We have audited the accompanying financial statements of Maryland Technology Development Corporation (TEDCO), a non-major component unit of the State of Maryland, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of TEDCO's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maryland Technology Development Corporation as of June 30, 2009, and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2009, on our consideration of TEDCO'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Board of Directors  
Maryland Technology Development Corporation

Management's discussion and analysis on pages 1 through 9 is not a required part of the basic financial statements but is supplementary information required by governmental accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Maryland Technology Development Corporation taken as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of TEDCO. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
September 17, 2009

Certified Public Accountants

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Unaudited)**

**Brief Discussion of the Basic Financial Statements**

Maryland Technology Development Corporation (TEDCO) is a body corporate and politic and is constituted as a public instrumentality of the State of Maryland (the "State"). TEDCO assists in transferring to the private sector and commercializing the results and products of scientific research and development conducted by colleges and universities; assists in the commercialization of technology developed in the private sector; and fosters commercialization of the research and development described above to create and sustain businesses throughout all regions of the State. TEDCO also administers the Maryland Technology Incubator Program, which promotes entrepreneurship and the creation of jobs in technology-related industry by establishing and operating effective incubators throughout the State that provide adequate physical space designed, and programs intended, to increase or accelerate business success in the field of technology. TEDCO also administers the Maryland Stem Cell Research Fund, which promotes state-funded stem cell research and cures through grants to public and private entities in the State.

This annual report consists of the statement of net assets, the statement of activities, and notes to financial statements, which provide information about the activities of TEDCO.

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

The statement of activities presents the results of the activities over the course of the year showing how the net assets changed during the year.

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

The discussion and analysis that follows presents a general overview of the financial performance and activities of TEDCO from July 1, 2008, through June 30, 2009. As required supplementary information, the analysis should be used in conjunction with the financial statements and related notes to assess the overall financial condition and reported results of operations of TEDCO.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Unaudited)**

**Condensed Comparative Financial Statements**

Condensed Statements of Net Assets

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash, Investments, and Other Assets	\$ 28,782,553	\$ 27,620,821
Capital Assets	<u>40,295</u>	<u>55,088</u>
<b>Total Assets</b>	<b><u>\$ 28,822,848</u></b>	<b><u>\$ 27,675,909</u></b>
<b>Liabilities</b>		
Current Liabilities	\$ 23,867,328	\$ 22,537,067
Other Liabilities	<u>85,883</u>	<u>77,559</u>
<b>Total Liabilities</b>	<b><u>\$ 23,953,211</u></b>	<b><u>\$ 22,614,626</u></b>
<b>Net Assets</b>		
Unrestricted Net Assets	\$ 4,829,342	\$ 5,006,195
Invested in Capital Assets	<u>40,295</u>	<u>55,088</u>
<b>Total Net Assets</b>	<b><u>\$ 4,869,637</u></b>	<b><u>\$ 5,061,283</u></b>

The largest portions of TEDCO's total assets as of June 30, 2009, are accounts receivable of \$15,789,746, investments of \$9,524,309, and cash and cash equivalents of \$2,956,731.

The largest portion of total liabilities as of June 30, 2009, is Stem Cell and other grants payable of \$21,201,038.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Unaudited)**

**Condensed Comparative Financial Statements (Continued)**

Condensed Statements of Activities

	<u>2009</u>	<u>2008</u>
Grant Revenues	\$ <u>22,014,140</u>	\$ <u>31,029,782</u>
Operating Expenses		
Stem Cell Program	\$ 16,166,974	\$ 23,004,890
Tech Transfer	4,950,505	4,696,812
Business Incubation	758,078	2,332,468
Program Development and Outreach	329,033	264,611
General Administration	<u>445,085</u>	<u>626,416</u>
Total Operating Expenses	<u>22,649,675</u>	<u>30,925,197</u>
Operating Income (Loss)	(635,535)	104,585
Investment Earnings	<u>443,889</u>	<u>548,770</u>
Change in Net Assets	<u>(191,646)</u>	<u>653,355</u>
<b>Total Revenues</b>	\$ <u>22,458,029</u>	\$ <u>31,578,552</u>

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Unaudited)**

**Analysis of Overall Financial Position and Results of Operations**

TEDCO's non-current assets decreased 29% from \$13,722,580 as of June 30, 2008, to \$9,757,889 as of June 30, 2009. The decrease was primarily due to a decrease in investments as a result of the Maryland Stem Cell Research Fund and the recognition of an approximate \$102,000 impairment loss on a private equity position. In fiscal year 2008, TEDCO received all funds for the fiscal year 2007 grants. Held in a separate account as of June 30, 2008, in order to track interest and dividends to the Fund, as required by statute, some investments were liquidated in fiscal year 2009 and funds were used to pay year two of the fiscal year 2007 grant awards.

TEDCO's current assets increased 37% from \$13,953,329 as of June 30, 2008, to \$19,064,959 as of June 30, 2009. This increase was primarily due to an increase in accounts receivable as a result of the outstanding Maryland Stem Cell Research Fund invoices. In fiscal year 2009, TEDCO invoiced the State for year two of the fiscal year 2008 and year one of the fiscal year 2009 grant awards. Conversely, in fiscal year 2008 TEDCO only invoiced year one of the 2008 grant awards. All funds for 2007 grant awards are held by TEDCO, not the State.

TEDCO's current liabilities increased 6% from \$22,537,067 as of June 30, 2008, to \$23,867,328 as of June 30, 2009, primarily due to an increase in liabilities associated with the Maryland Stem Cell Research Fund.

TEDCO's revenues are derived primarily from federal and State operating grants, the Maryland Stem Cell Research Fund Grant, sponsorships and royalties, other grants, and investment earnings. TEDCO's revenues decreased by 29% from \$31,578,552 to \$22,458,029 from the year ended June 30, 2008, to the year ended June 30, 2009. This decrease was primarily due to the decrease in funding for the Maryland Stem Cell Research Fund Grant from \$22,913,902 in 2008 to \$16,063,287 in 2009.

The State grant revenue decreased by 16% from \$5,026,000 to \$4,227,000 from the year ended June 30, 2008, to the year ended June 30, 2009. This was the result of a decrease in related activity conducted during the year ended June 30, 2009.

Operating expenses decreased 27% from \$30,925,197 to \$22,649,675 from the year ended June 30, 2008, to the year ended June 30, 2009. This was primarily due to the decrease in funding from the Maryland Stem Cell Research Fund from \$23,004,890 in 2008 to \$16,166,974 in 2009.

Net assets decreased 4% from \$5,061,283 as of June 30, 2008, to \$4,869,637 as of June 30, 2009. Net assets - excess of assets over liabilities - consists of two components: 61% is funds approved in fiscal year 2009 for board-approved programs and commitments to specific projects that have not closed by the end of the fiscal year and thus not expensed and 39% is from interest revenue, other revenue (e.g., royalty, showcase), and cost recovery from federal grants.



**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Unaudited)**

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

Net assets have been committed by the board for specific programs and projects and are "carried forward" for expenditure in fiscal year 2010 in Reserve Accounts, which represent designated net assets. On September 17, 2009, the board of directors approved the commitment of \$4,838,274 (see Note 8) in designated and unrestricted Reserve Accounts. This amount decreased 1.5% from \$4,910,196 as of June 30, 2008.

**Analysis of Significant Budgetary Variations**

The TEDCO Board of Directors approves the annual budget. It is then submitted to the State of Maryland for consideration in the State budget process. The Maryland General Assembly determines the final budget when it approves the State budget in April for the following fiscal year. This budget only includes those funds approved by the State.

	<b>FY09 Actual <u>Results</u></b>	<b>FY09 Final <u>State Budget</u></b>	<b>FY08 Actual <u>Results</u></b>	<b>FY08 Final <u>State Budget</u></b>
<b>Operating Expenses</b>				
Maryland Stem Cell Research Fund	\$ 16,166,974	\$ 18,000,000	\$ 23,004,890	\$ 23,000,000
Technology Transfer Programs and Services	4,950,505	3,025,400	4,696,812	3,762,400
Business Incubation	758,078	614,400	2,332,468	678,800
Program Development and Outreach	329,033	233,400	264,611	241,200
General Administration	421,131	353,800	586,593	343,600
Depreciation and Amortization (1)	<u>23,954</u>	<u>-</u>	<u>39,823</u>	<u>-</u>
Total Operating Expenses	<u>\$ 22,649,675</u>	<u>\$ 22,227,000</u>	<u>\$ 30,925,197</u>	<u>\$ 28,026,000</u>

NOTES:

- (1) Depreciation is a generally accepted non-cash accounting principle that is required for financial statement purposes and is not part of the budget process.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Unaudited)**

**Analysis of Significant Budgetary Variations (Continued)**

*Discussion of Fiscal Year 2009 Variations*

There was a positive variance of \$1,833,026 (10%) in the Maryland Stem Cell Research Fund when comparing the final State budget to the actual results. The nature of the arrangements with the State for the Maryland Stem Cell Research Fund are as follows: direct administrative expenses are paid quarterly on a reimbursable basis; new grants, which will not exceed the annual appropriation for a given fiscal year, are ratified in June of each year and the State is invoiced for year one of new grants, and subsequent years on prior grants. This is the case for all grant awards, with the exception of the fiscal year 2007 awards, ratified in 2008, whereby TEDCO received all funds for the multi-year grants. The State budget will always be quite different than the actual results in any given fiscal year due to the nature of the arrangements with the State.

There was a negative variance of \$1,925,105 (64%) in Technology Transfer Programs when comparing the final State budget to the actual results. This is due primarily to fiscal year 2008 funds carried forward in a restricted reserve account for Technology Transfer and Commercialization Awards that were used in fiscal year 2009 because of the mid-year funding reductions made by the State, and the recognition of an approximate \$102,000 impairment loss on a private equity position.

There was a negative variance of \$143,678 (23%) in the Business Incubation Program when comparing the final State budget to the actual results. This is due primarily to fiscal year 2008 funds carried forward in a restricted reserve account for Rural Business Innovation Initiative (RBI<sup>2</sup>) that were used in fiscal year 2009.

There was a negative variance of \$95,633 (41%) in expenses in Program Development and Outreach when comparing the final State budget to the actual results. The budget for fiscal year 2009 was based on actual fiscal year 2008 program development activity and did not anticipate salaries and expenses to support activities associated with Governor Martin O'Malley's Life Sciences Advisory Board and salaries to support TEDCO's administration of the 2009 State Nanobiotechnology Grant Competition.

There was a negative variance of \$67,331 (19%) in General Administration when comparing the final State budget to the actual results. The budget for fiscal year 2009 was based on actual fiscal year 2008 General Administration activity and did not anticipate additional direct accounting expenses and an increase in legal fees.

The total net expenses as reflected on the statement of activities (page 11) were funded from TEDCO's Reserve Account because of the mid-year funding reductions made by the State.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Unaudited)**

**Description of Capital Asset and Long-Term Debt Activity**

TEDCO had \$9,161 of additions and no disposals for the year ended June 30, 2009. Depreciation and amortization expense was \$23,954 for the year ended June 30, 2009, and \$39,823 for the year ended June 30, 2008. For the year ended June 30, 2008, TEDCO had \$18,630 of additions and \$135,145 of disposals.

TEDCO does not have any long-term debt.

**Discussion of Currently Known Facts, Decisions, or Conditions**

*Fiscal Year 2010 State Operating Budget*

TEDCO's State-approved fiscal year 2010 Program and Operating Budget will decrease by 23.5% (\$1,123,808) from \$4,792,000 in fiscal year 2009 to \$3,668,192. This includes a pass-through of \$750,000 from TEDCO to the University System of Maryland (USM) to support USM's Maryland Industrial Partnerships Program (MIPS). In order to receive these funds, TEDCO entered into a Grant Agreement with the Maryland Department of Budget and Management. Under the agreement, TEDCO will be paid in two installments; the first of which was received and deposited in August 2009. TEDCO subsequently entered into an Inter-agency Agreement with USM to pass through USM's MIPS funding in the same manner (two installments). The reductions were mandated by the State and affect all program areas except the Maryland Stem Cell Research Fund.

In addition, TEDCO received an initial State appropriation of \$15,400,000 for Maryland Stem Cell Research Fund (the "Fund") for fiscal year 2010. This appropriation was decreased by \$3,000,000 to \$12,400,000 upon action of the Board of Public Works on July 22, 2009. The purpose of the Fund is to promote state-funded stem cell research and cures through grants to public and private entities in the State. The Fund is a special, nonlapsing fund that is not subject to the State Finance and Procurement Article. The Maryland Stem Cell Commission, established by the Maryland General Assembly, will establish an independent scientific peer review committee composed of recognized scientific experts in the field of stem cell research. The Committee will review, rank, and rate research proposals for State-funded stem cell research based on procedures and guidelines established by the Commission and in a manner that gives due consideration to the scientific, medical, and ethical implications of the research. The Committee will then make recommendations to the Commission, based on the ranking and ratings awarded to each research proposal according to its scientific merit. The Commission acts within TEDCO.

The total state appropriation to TEDCO for fiscal year 2010 is \$16,068,192, an overall decrease of \$7,723,808 (32.5%) from fiscal year 2009.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Management's Discussion and Analysis**  
**June 30, 2009**  
**(Unaudited)**

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

*Joint Technology Transition Initiative (JTTI)*

During fiscal year 2009, TEDCO secured a federal appropriation of \$1,500,000 for a Joint Technology Transition Initiative (JTTI). Originally "earmarked" as the BioDefense Technology Transfer Initiative, this expanded program will work jointly with the U.S. Department of Homeland Security (DHS) and the U.S. Army Medical Research and Materiel Command (USAMRMC).

The primary goal is to find small, private technology companies capable of meeting the defined technology needs of both DHS and USAMRMC, and then provide a mechanism for such companies to demonstrate whether they can in fact meet these needs and provide seed funding for development/demonstration projects. The program will also strive to make federal government technology acquisition managers aware of these projects and their level of success so that the government can more confidently decide whether to acquire technology from the company or provide further development funding to mature these technologies for acquisition and deployment.

The Maryland Congressional Delegation specifically identified \$1,500,000 for this JTTI program. An anticipated 12 company project awards of up to \$75,000 per company will be provided over a two-year period. Once approved by the U.S. Army, the program should commence in October 2009.

*Technology Showcases for Sustainable Development*

During fiscal year 2009, TEDCO secured a federal appropriation of \$98,257 from the U.S. Small Business Administration (SBA) to support Technology Showcases for Sustainable Development. Once approved by the SBA, work should commence in October 2009. TEDCO staff will work with regional agricultural specialists, economic development officials, and United States Department of Agriculture, Agricultural Research Service (USDA-ARS) staff to identify technologies relevant to the five rural areas of Maryland. Showcases will be held in each of the five regions and will include as attendees technology company executives, agricultural producers, financial lenders, investors, and economic development officials. The showcases will include technologies available for commercialization and the research capacity from all of the USDA-ARS locations throughout the country, as well as Maryland universities, in the relevant areas of research. It is important to hold the showcases in the specific regions. Often business owners and farmers do not have time available to travel long distances. Each region of the State has differing issues and needs.

The anticipated outcome of the showcases is to stimulate dialog, create research collaborations and funding opportunities, and provide an additional tool to work with the TEDCO/USDA-ARS Partnership Intermediary Agreement.

**Maryland Technology Development Corporation  
A Component Unit of the State of Maryland**

**Management's Discussion and Analysis  
June 30, 2009  
(Unaudited)**

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

*Technology Showcases for Sustainable Development (Continued)*

TEDCO anticipates \$58,670 for salaries and fringe benefits, \$9,384 for travel costs, \$14,080 for contractual services, and \$16,123 for other direct expenses.

**Contacting TEDCO**

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

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Statement of Net Assets**  
**June 30, 2009**

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 2,956,731
Accounts Receivable	15,789,746
Grants Receivable	150,993
Current Portion of Working Capital Loan Fund	143,423
Prepaid Expenses	<u>24,066</u>

Total Current Assets \$ 19,064,959

**Noncurrent Assets**

Investments	9,524,309
Working Capital Loan Fund (Net of Allowance of \$49,309)	172,515
Deposits	20,770
Capital Assets (Net of Accumulated Depreciation and Amortization of \$126,623)	<u>40,295</u>

Total Noncurrent Assets 9,757,889

**Total Assets** 28,822,848

**Liabilities**

**Current Liabilities**

Accounts Payable and Accrued Expenses	526,446
Grants Payable	1,959,924
Stem Cell Grants Payable	19,241,114
Deferred Grant Revenue	<u>2,139,844</u>

Total Current Liabilities 23,867,328

**Other Liabilities**

Deferred Rent	<u>85,883</u>
---------------	---------------

Total Liabilities 23,953,211

**Net Assets**

Unrestricted Net Assets	4,829,342
Invested in Capital Assets	<u>40,295</u>
<b>Total Net Assets</b>	<u><u>\$ 4,869,637</u></u>

*See accompanying Notes to Financial Statements.*

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Statement of Activities**  
**For the Year Ended June 30, 2009**

<b>Functions</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expenses)</b>
		<b>Operating Grants</b>	<b>Sponsorships and Royalties</b>	<b>Revenues and Change in Net Assets</b>
Stem Cell Program	\$ 16,166,974	\$ 16,063,287	\$ -	\$ (103,687)
Tech Transfer	4,950,505	4,159,209	242,049	(549,247)
Business Incubation	758,078	622,897	242,628	107,447
Program Development and Outreach	329,033	317,913	-	(11,120)
General Administration	445,085	353,800	-	(91,285)
	<b>\$ 22,649,675</b>	<b>\$ 21,517,106</b>	<b>\$ 484,677</b>	<b>(647,892)</b>
<b>General Revenues</b>				
				12,357
				443,889
				<b>456,246</b>
				(191,646)
				<b>5,061,283</b>
				<b>\$ 4,869,637</b>

*See accompanying Notes to Financial Statements.*

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Reporting Entity**

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

Assist in transferring to the private sector and commercializing the results and products of scientific research and development conducted by colleges and universities.

Assist in the commercialization of technology developed in the private sector.

Foster commercialization of the research and development described above to create and sustain businesses throughout all regions of the State.

Administer the Maryland Technology Incubator Program by promoting entrepreneurship and the creation of jobs in technology-related industry by establishing and operating effective incubators throughout the State that provide adequate physical space designed, and programs intended, to increase or accelerate business success in the field of technology.

Administer the Maryland Stem Cell Research Fund. The purpose of the Fund is to promote state-funded stem cell research and cures through grants to public and private entities in the State. The Fund is a special, nonlapsing fund that is not subject to the State Finance and Procurement Article.

The State of Maryland has granted TEDCO an operating grant of \$4,227,000 for fiscal year 2009. The State of Maryland also granted TEDCO \$18,000,000 for Maryland Stem Cell Research for fiscal year 2009.

**Basis of Accounting**

TEDCO prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. Under this basis, revenues are recognized when earned and expenses are recognized when incurred.



**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

TEDCO uses for its statement of activities the format for governmental units prescribed by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. This presentation is the same as that used by the State of Maryland, which includes TEDCO's financial statements as a non-major component unit in the statement of activities in the Comprehensive Annual Financial Report (CAFR) of the State of Maryland.

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

Accounts at commercial banking institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Account balances are frequently in excess of \$250,000.

**Accounts Receivable**

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

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants Receivable**

Grants receivable consist of amounts due from granting agencies resulting from allowable expenditures incurred that have not been recovered as of the end of the fiscal year. Grants receivable are reported at their outstanding balances, reduced by an allowance for uncollectible amounts, if any. TEDCO expects its grants receivable to be fully realized and has not recorded an allowance for uncollectible amounts.

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

The allowance for uncollectible amounts is increased by charges to bad debts expense and decreased by charge offs of the grants receivable balances. Grants receivable are considered past due when no payments have been received by their contractual due dates, varying with different grantors. Grants receivable are charged off based on management's case-by-case determination that they are uncollectible.

**Working Capital Loan Fund**

TEDCO provides funding to various borrowers from its Working Capital Loan Fund. The funds are used by the borrowers as working capital in the operations of their respective technology businesses. TEDCO reports these loans receivable at their outstanding balances reduced by an allowance for doubtful accounts.

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

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the loans receivable balances. Loans receivable are considered past due when no payments have been received by their contractual due dates, varying with different borrowers. Loans receivable are charged off based on management's case-by-case determination that they are uncollectible. As of June 30, 2009, TEDCO determined the allowance for doubtful accounts to be \$49,309.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

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

Government backed debt securities have durations from six to twenty months and are invested in investment grade, low risk governmental securities per TEDCO's investment policy. The certificates of deposit at commercial banking institutions are insured by the FDIC up to \$250,000. These investments are presented at readily determinable fair values.

TEDCO, through the Maryland Technology Transfer Fund program, has made certain reimbursable investments in companies to assist them in collaborating with Maryland colleges and universities or federal laboratories located in Maryland to develop and commercialize new services and products. In order to reimburse TEDCO for its initial investment, the arrangement allows each of these companies, with TEDCO's concurrence, to exercise the option of exchanging the amounts owed to TEDCO for an equitable share in the respective company's equity. These investments are recorded at cost since the securities do not have readily determinable fair values and are not required to be presented under the equity method of accounting.

**Investment Risk Management**

TEDCO manages investment risk by following the State of Maryland's regulations governing the investment of State funds. These regulations require that funds be invested only in high grade securities, such as obligations backed by the full faith and credit of the United States government, or obligations that a federal agency/instrumentality has issued in accordance with an act of Congress, or money market mutual funds that contain only specifically authorized obligations.

Custodial credit risk is managed by requiring that all cash in depositories be fully insured by FDIC. Balances exceeding FDIC limits are collateralized by the respective financial institutions to fully protect TEDCO from any losses.

TEDCO does not have a policy for credit risk associated with investments in private company preferred stocks as such investments are part of TEDCO's program for providing seed capital to start-up technology companies.

Interest rate risk is managed by only investing in government backed securities and certificates of deposit. Government backed debt securities are not collateralized and are invested in investment grade, low risk governmental securities per TEDCO's investment policy.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deposits**

Deposits consist of amounts that TEDCO has paid in conjunction with certain leases. These amounts are not insured.

**Capital Assets**

Capital assets are recorded at cost. Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the respective assets (10 years for leasehold improvements and 3 years for all other capital assets). All purchases of capital assets over \$1,000 are capitalized. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of capital assets are retired, the related cost and accumulated depreciation and amortization are removed from the accounts, and any gain or loss is included in the statement of activities.

**Deferred Grant Revenue**

Deferred grant revenue results from federal and non-federal grants. TEDCO recognizes grant revenue when related expenses are incurred. All unexpended grants at fiscal year-end are deferred and recognized as revenue when the related expenses are incurred.

**Deferred Rent**

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

**Revenue Recognition**

Revenues are recognized when earned. Grants received from the State for operating purposes are recognized as revenue on receipt. Grants received from the State for business incubation facility development are deferred until TEDCO commits these funds and the funds are payable. Other grants are recorded on the cost-reimbursement method of recognizing revenue when the expenses have been incurred by TEDCO.

Stem cell funding is recorded as revenue when TEDCO commits these funds and the funds are payable.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses**

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

**Significant Concentration**

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

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

**Investments Authorized**

TEDCO's investment policy states that cash and cash equivalents consist of cash in bank accounts, overnight investment accounts, and money market funds invested in federal government obligations and that investments consist of government backed debt securities, certificates of deposits, certain equity securities, and mutual funds.

Cash and cash equivalents as of June 30, 2009, consisted of the following:

Deposits With Financial Institutions	\$ <u>2,956,731</u>
--------------------------------------	---------------------

Investments as of June 30, 2009, consisted of the following:

Government Backed Debt Securities	\$ 3,386,629
Certificates of Deposit	3,971,064
Government Securities Mutual Funds	2,018,637
Equity Securities	<u>147,979</u>
	\$ <u>9,524,309</u>

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk**

Custodial credit risk for cash and cash equivalents and certificates of deposit is the risk that TEDCO will not be able to recover deposits in the event of the failure of a depository financial institution or will not be able to recover collateral securities that are in the possession of an outside party. At June 30, 2009, TEDCO's carrying value of cash and cash equivalents and certificates of deposit included in investments on the statement of net assets was \$6,927,795 and the underlying bank and brokerage account balances totaled \$6,146,860. The difference between the carrying value on the statement of net assets and the underlying bank and brokerage account balances is due to outstanding checks and deposits in transit at June 30, 2009. Of the bank and brokerage account balances of \$6,146,860, \$1,634,165 was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$ 481,593
Uninsured and Collateral Held by Pledging Bank	-
Uninsured and Collateral Held by Third Party for TEDCO	<u>1,152,572</u>
	<u>\$ 1,634,165</u>

The money market funds included in cash and cash equivalents have not been credit rated.

**Concentration of Credit Risk**

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

As of June 30, 2009, 36% of TEDCO's investments is allocated to government backed debt securities. The government backed debt securities are 90% Federal Home Loan Bank Mortgage Bonds, and 10% FICO Series 8 Bonds. Further, 42% of TEDCO's investments is allocated to various certificates of deposit issued by three different banks. An additional 20% of TEDCO's investments is allocated to government securities mutual funds. Another 2% is allocated to certain investments in preferred stock of four different companies (see Note 1, Investments).

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The fair market value of fixed income (debt) securities is affected by increases and decreases in interest rates. These investments may also have embedded call features allowing the issuer to redeem part or all of the issue prior to maturity at a pre-set price. In addition, debt issues may have interest rates that vary according to a pre-determined external index (such as the London Inter-Bank Offered Rate) or a pre-determined step-up in the interest rate at a pre-determined date(s).

As of June 30, 2009, the majority of TEDCO's investment holdings are in government backed debt securities and certificates of deposit. Government backed debt securities had the following maturities:

Less Than 12 Months	\$ <u>3,386,629</u>
---------------------	---------------------

For certificates of deposit, TEDCO manages its exposure to fair value loss arising from interest rate changes by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to TEDCO. Debt securities are rated by Nationally Recognized Statistical Rating Organizations to provide purchasers with an opinion of the capability and willingness of a borrower to repay its debt. As of June 30, 2009, all of TEDCO's government backed debt securities have a Standards & Poor's rating of AAA, except for its FICO Series 8 Interest Bond, which is not rated. All of TEDCO's government securities mutual funds invest 80% of assets in U.S. Government securities and in repurchase agreements collateralized by such securities. TEDCO may invest up to 20% of assets in non-government securities such as privately issued mortgage-backed securities, asset-backed securities, and corporate securities.

The primary investment objectives for certificates of deposit are safety, liquidity, and return on investment. Credit risk with respect to certain investments in equity securities is deemed insignificant to the overall operations of TEDCO.

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**3. CAPITAL ASSETS**

Changes in components of capital assets are summarized as follows for the year ended June 30, 2009:

	<u>Balance,</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2009</u>
<b>Assets</b>				
Computer Equipment	\$ 72,475	\$ 3,981	\$ -	\$ 76,456
Software	52,733	5,180	-	57,913
Office Furniture	6,704	-	-	6,704
Leasehold Improvements	<u>25,845</u>	<u>-</u>	<u>-</u>	<u>25,845</u>
Total Assets	<u>\$ 157,757</u>	<u>\$ 9,161</u>	<u>\$ -</u>	<u>\$ 166,918</u>
<b>Accumulated Depreciation and Amortization</b>				
Computer Equipment	\$ 46,254	\$ 15,800	\$ -	\$ 62,054
Software	50,408	3,333	-	53,741
Office Furniture	2,820	2,235	-	5,055
Leasehold Improvements	<u>3,187</u>	<u>2,586</u>	<u>-</u>	<u>5,773</u>
Total Accumulated Depreciation and Amortization	<u>\$ 102,669</u>	<u>\$ 23,954</u>	<u>\$ -</u>	<u>\$ 126,623</u>
Net Book Value	<u>\$ 55,088</u>			<u>\$ 40,295</u>

The depreciation and amortization expense for the year ended June 30, 2009, was \$23,954.

**4. STAFF CONTRACTS**

TEDCO recruits each individual staff member, who is then required to contract with Administraff for employee services and benefits.

**5. STAFF BENEFIT PLAN**

TEDCO maintains a defined contribution, tax deferred "profit sharing" plan that covers all eligible contract employees. All contract employees who have completed six consecutive months of service with TEDCO and have attained age 21 are eligible for the Plan. Participants are 100% vested at all times. Under the provisions of the Plan, TEDCO shall contribute 8% of an employee's base compensation. Contract employees do not contribute to this plan.



**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**5. STAFF BENEFIT PLAN (CONTINUED)**

Contribution expense for the Plan was \$97,060 for the year ended June 30, 2009, which is allocated among programs and general administration expenses in the statement of activities.

**6. OPERATING LEASE**

On October 25, 2006, TEDCO entered into a 10-year agreement for office space, which expires on August 31, 2017. The lease term was effective on March 1, 2007, with rental payments starting on September 1, 2007. The lease requires minimum annual rentals of \$124,614 (base rent) increasing to approximately \$163,000 by the year 2017, plus a pro rata share of increases in operating expenses and real estate taxes, as defined in the lease agreement.

Future minimum lease payments, by year and in the aggregate, for this operating lease are as follows:

<u>For the Years Ending June 30,</u>	
2010	\$ 131,561
2011	135,508
2012	139,573
2013	143,761
2014	148,073
2015-2018	<u>498,509</u>
	<u>\$ 1,196,985</u>

Total lease expense for the year ended June 30, 2009, was \$136,717.

**7. INCOME TAXES**

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

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Notes to Financial Statements**  
**June 30, 2009**

**8. FUNDING COMMITMENTS**

Following is a summary of a portion of net assets that is committed by TEDCO for respective expenditures as of June 30, 2009.

Tech Transfer and Commercialization Activities	\$ 2,000,000	(2)
Incubator Development Fund (IDF)	1,220,000	(1)
Tech Transfer and Commercialization Awards	1,055,000	(1)
Entrepreneurial Innovation Programs and Business Incubation Initiatives	325,000	(2)
Investment Equity	147,979	(1)
Sponsorship, Outreach, and Marketing	50,000	(2)
Capital Assets	<u>40,295</u>	(1)
Total Reserve Accounts	\$ <u>4,838,274</u>	

(1) Board designated net assets from funds approved for specific programs and activities.

(2) Unrestricted net assets from federal grant reimbursements and other revenue that are designated by the Board for specific programs and activities.

**9. ENTITY RISK MANAGEMENT**

TEDCO, as a public instrumentality of the State of Maryland, benefits from sovereign immunity. As such, it is liable for, and exposed to risk of loss from, causes of action arising in tort (including, *inter alia*, causes of action alleging errors and omissions) only to the limited extent provided in the Maryland Tort Claims Act (Title 12, State Government Article, Annotated Code of Maryland).

TEDCO is exposed to various risks of loss related to theft of, damage to, and destruction of assets, including, *inter alia*, those caused by natural disasters. During the year ended June 30, 2009, TEDCO carried insurance through various commercial carriers to cover such risks of loss. TEDCO has had no settled claims resulting from these risks that exceeded its commercial insurance coverage in any of the prior three fiscal years.

**Supplementary Information**

**Maryland Technology Development Corporation**  
**A Component Unit of the State of Maryland**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Research and Development Cluster</b>		
<b>U.S. Small Business Administration</b>		
Maryland Minority R&D Initiative - Total U.S. Small Business Administration	59.000	<u>\$ 161,003</u>
<b>U.S. Department of Defense</b>		
Fort Detrick Technology Transfer Initiative (FDTTI)	12.420	706,072
Maryland Research and Applied Sciences Coalition (MRASC)	12.420	<u>236,782</u>
Total U.S. Department of Defense		<u>942,854</u>
<b>Total Expenditures of Research and Development Federal Awards</b>		<u><u>\$ 1,103,857</u></u>

*See accompanying Note to Schedule of Expenditures of Federal Awards.*

**Maryland Technology Development Corporation  
A Component Unit of the State of Maryland**

**Note to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009**

**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Maryland Technology Development Corporation (TEDCO) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**Independent Auditors' 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***

The Board of Directors  
Maryland Technology Development Corporation  
Columbia, Maryland

We have audited the financial statements of Maryland Technology Development Corporation (TEDCO), a non-major component unit of the State of Maryland, as of and for the year ended June 30, 2009, and have issued our report thereon dated September 17, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered TEDCO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TEDCO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TEDCO's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects TEDCO's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of TEDCO's financial statements that is more than inconsequential will not be prevented or detected by TEDCO's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by TEDCO's internal control.

The Board of Directors  
Maryland Technology Development Corporation

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether TEDCO's financial statements are free of 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*.

We noted certain matters that we reported to management of TEDCO in a separate letter dated September 17, 2009.

This report is intended solely for the information and use of the board of directors, the audit committee, management, others within TEDCO, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
September 17, 2009

Certified Public Accountants



**Independent Auditors' Report on Compliance With Requirements  
Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

The Board of Directors  
Maryland Technology Development Corporation  
Columbia, Maryland

**Compliance**

We have audited the compliance of Maryland Technology Development Corporation (TEDCO), a non-major component unit of the State of Maryland, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. TEDCO's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of TEDCO's management. Our responsibility is to express an opinion on TEDCO's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TEDCO's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of TEDCO's compliance with those requirements.

In our opinion, Maryland Technology Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.



### **Internal Control Over Compliance**

The management of TEDCO is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered TEDCO's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TEDCO's internal control over compliance.

A control deficiency in TEDCO's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects TEDCO's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by TEDCO's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by TEDCO's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, the audit committee, management, others within TEDCO, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
September 17, 2009

Certified Public Accountants

**Maryland Technology Development Corporation  
A Component Unit of the State of Maryland**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009**

**Summary of Auditors' Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of Maryland Technology Development Corporation.
2. The audit disclosed no instances of noncompliance material to the financial statements of Maryland Technology Development Corporation that are required to be reported in accordance with *Government Auditing Standards*.
3. The auditors' report on compliance for the major federal award program for Maryland Technology Development Corporation expresses an unqualified opinion on the major federal program.
4. The audit disclosed no audit findings relative to the major federal award program of Maryland Technology Development Corporation that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
5. The program tested as a major program includes:

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>Research and Development Cluster</b>		
<b>U.S. Small Business Administration</b>		
Maryland Minority R&D Initiative -		
Total U.S. Small Business Administration	59.000	\$ <u>161,003</u>
<b>U.S. Department of Defense</b>		
Fort Detrick Technology Transfer Initiative (FDTTI)	12.420	706,072
Maryland Research and Applied Sciences Coalition (MRASC)	12.420	<u>236,782</u>
Total U.S. Department of Defense		<u>942,854</u>
<b>Total Expenditures of Research and Development Federal Awards</b>		<b>\$ <u>1,103,857</u></b>

6. The threshold for distinguishing Type A and Type B programs was \$300,000.
7. Maryland Technology Development Corporation was determined to be a low-risk auditee.