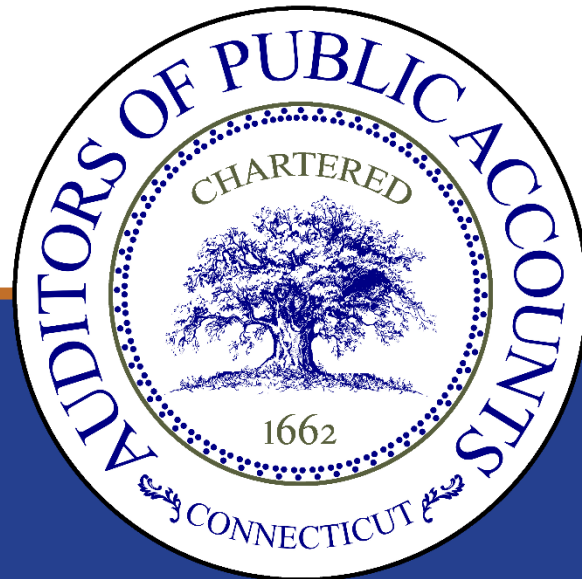


AUDITORS' REPORT

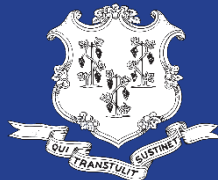
Connecticut Innovations, Incorporated and CTNext, LLC

FISCAL YEARS ENDED JUNE 30, 2021 AND 2022



STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor



CRAIG A. MINER
State Auditor

CONTENTS

INTRODUCTION.....	3
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	4
Validation of Jobs Created and Retained	4
Untimely Filing of Statutorily Required Reports.....	5
Connecticut New Opportunities Fund Not Established.....	6
STATUS OF PRIOR AUDIT RECOMMENDATIONS	8
OBJECTIVES, SCOPE, AND METHODOLOGY	9
ABOUT THE AGENCY	11

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

September 11, 2024

INTRODUCTION

We are pleased to submit this audit of the Connecticut Innovations, Incorporated and CTNext, LLC for the fiscal years ended June 30, 2021 and 2022 in accordance with the provisions of Sections 1-122, 2-90 and 32-42 of the Connecticut General Statutes. Our audit identified internal control deficiencies and instances of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Innovations, Incorporated and CTNext, LLC during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Patrick Dunn
William Jordan
Carol McDermott

William Jordan
Associate Auditor

Approved:

John C. Geragosian
State Auditor

Craig A Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut Innovations, Incorporated and CTNext, LLC disclosed the following three recommendations, of which two were repeated from the previous audit.

Finding 1

Validation of Jobs Created and Retained

Criteria	Section 32-1m(a)(4) of the General Statutes requires the Department of Economic and Community Development's annual report to include an analysis of each business assistance or incentive program administered by Connecticut Innovations, Incorporated. The analysis must include an overview of the program and an analysis of its effects on the state's economy, including, the number of new jobs created.
Condition	Connecticut Innovations, Inc. does not validate the number of jobs created and retained for the business assistance and incentive programs it administers.
Context	CI reported jobs created and retained of 31,950 and 27,936 as of June 30, 2021, and 2022, respectively.
Effect	There is reduced assurance of the accuracy of reported job data. The lack of reliable job data limits the General Assembly's ability to determine the impact of CI-administered programs.
Cause	CI does not require recipients of business assistance or incentive programs to have their reported job records audited by a certified public accountant. In addition, CI has not developed procedures to validate job numbers.
Prior Audit Finding	This finding has not been previously reported.
Recommendation	Connecticut Innovations, Inc. should ensure the accuracy of the number of created and retained jobs reported in the Department of Economic and Community Development annual report.

Agency Response

"CT Innovations agrees with this finding in part. CI does survey all portfolio companies where they must verify their employment levels. CI also receives financial statements and has site visits to most of our companies. This provides an extra layer of comfort that the companies are in existence and do provide some level of employment. CI will work to improve in this area. We may seek Department of Labor assistance or other validation techniques to validate the employment totals."

Finding 2

Untimely Filing of Statutorily Required Reports

Criteria

Section 1-123(a) of the General Statutes requires the board of directors of each quasi-public agency to annually submit a report to the Governor and the Auditors of Public Accounts.

Section 1-123(b) of the General Statutes requires the board of directors of each quasi-public agency to submit a quarterly report to the legislative Office of Fiscal Analysis.

Section 32-39m(a)(2)(E) of the General Statutes requires the CTNext board to annually submit a report regarding the grants-in-aid distributed and the innovation place program's operation and effectiveness on or before September 30th.

Section 32-41cc(i) of the General Statutes requires that the administrator of the Connecticut Bioscience Innovation Fund (CBIF) submit a plan of operations and operating and capital budgets not later than 90 days before the start of the fiscal year.

Condition

In our review of 13 statutorily required reports we noted the following:

- CI submitted the 2021 annual report seven months after the end of the year.
- The CTNext March 31, 2022, quarterly financial report included data from the incorrect period. CTNext never submitted a financial report with the March 31, 2022, data.
- CTNext submitted the 2022 Innovation Places Grants-in-Aid Report 62 days late.
- CI submitted the 2022 Connecticut Bioscience Innovation Fund (CBIF) annual plan of operations and budget 378 days late.

Context	During the audited period, there were 14 statutory reporting requirements, for which CI and CTNext were to submit 62 reports. We judgmentally selected 13 reports for review.
Effect	Inaccurate and untimely reporting limits the state’s monitoring of quasi-public agencies.
Cause	The inaccurate and untimely reporting appears to be the result of a lack of managerial oversight due to the number of required reports.
Prior Audit Finding	This finding has been previously reported in the last six audit reports covering the fiscal years ended 2011 through 2020.
Recommendation	Connecticut Innovations, Incorporated and CTNext, LLC should promptly and accurately submit all reports required by the General Statutes.
Agency Response	“Connecticut Innovations, Incorporated agrees with the finding. CI did submit 100% of the required annual reports (62 in total). The delays were attributable to reduced administrative staffing levels and the legislative requirement where some reports must be approved by their oversight board before submittal. CI will strive to continually improve on the timeliness of our reporting requirements.”

Finding 3





Connecticut New Opportunities Fund Not Established

Criteria	Section 32-41v(b) of the General Statutes required CI to establish the Connecticut New Opportunities Fund to invest in seed stage and emerging growth companies in the state. The statute established a ten-year term for the fund, with up to three one-year extensions. The statute requires the state to provide a first loss guarantee of not more than \$25 million at the end of the tenth year, if needed.
Condition	CI did not establish the Connecticut New Opportunities Fund.
Context	Section 32-41v(b) of the General Statutes became effective July 1, 2005.

Effect	Although CI has not complied with Section 32-41v(b) of the General Statutes, it still invests in seed stage and emerging growth companies through its other programs.
Cause	CI informed us that it drafted guarantee language and provided it to the Office of Policy and Management, State Comptroller, and State Treasurer. CI planned to have the guarantee signed before it began raising and distributing money. No one signed the guarantee or provided funds to pay out the guarantee.
Prior Audit Finding	This finding has been previously reported in the last two audit reports covering the fiscal years ended June 30, 2017 through 2020.
Recommendation	Connecticut Innovations Incorporated should seek legislation to eliminate Section 32-41v of the General Statutes regarding the establishment of the Connecticut New Opportunities Fund.
Agency Response	"Connecticut Innovations agrees with the finding and will seek legislation to eliminate this language."

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Connecticut Innovations, Incorporated and CTNext, LLC contained four recommendations. Two have been implemented or otherwise resolved and two have been repeated during the current audit.

Prior Recommendation	Current Status
Connecticut Innovations, Incorporated and CTNext, LLC should promptly submit all reports required by the General Statutes.	 Recommendation 2
Connecticut Innovations, Incorporated should ensure that expenses are necessary, reasonable, and properly approved, and should comply with personal service agreement policies and the terms of separation agreements.	
Connecticut Innovations, Incorporated and CTNext, LLC should adopt attendance procedures for their boards of directors and committees and should promptly notify appointing authorities of member vacancies.	
Connecticut Innovations Incorporated should seek legislation to eliminate Section 32-41v of the General Statutes regarding the establishment of the Connecticut New Opportunities Fund.	 Recommendation 3

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Connecticut Innovations, Incorporated and CTNext, LLC in fulfillment of our duties under Sections 1-122, 2-90 and 32-42 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2021 and 2022. The objectives of our audit were to evaluate the:

1. Corporation's significant internal controls over compliance and its compliance with policies and procedures internal to the agency or promulgated by other state agencies, as well as certain legal provisions, including as applicable, but not limited to whether the agency has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds, and the distribution of loans, grants and other financial assistance;
2. Corporation's internal controls over certain financial and management functions; and
3. Effectiveness, economy, efficiency, and equity of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the agency and certain external parties. We also tested selected transactions. This testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying financial information is presented for informational purposes. We obtained this information from various available sources including the agency's management and the agency's information systems. It was not subject to the audit procedures applied in our audit of the agency. For the areas audited, we identified:

1. Apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures;
2. Apparent deficiencies in internal controls; and
3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Connecticut Innovations, Incorporated and CTNext, LLC.

ABOUT THE AGENCY

Overview

Connecticut Innovations, Incorporated

[Connecticut Innovations, Incorporated](#) (CI) operates primarily under Chapter 581, Sections 32-32 through 32-47a of the General Statutes. In accordance with Section 32-35 of the General Statutes, CI is a public instrumentality and political subdivision of the state. CI is a quasi-public agency of the state under Chapter 12 of the General Statutes and is subject to the related requirements. As a quasi-public agency, the CI financial information is included as a component unit in the State of Connecticut's Annual Comprehensive Financial Report.

CI was established to stimulate and encourage the research and development of new technologies, businesses, and products; to encourage the creation and transfer of new technologies; assist existing businesses in adopting current and innovative technological processes; stimulate and provide services to industries that will advance the adoption and utilization of technology; achieve improvements in the quality of products and services; to stimulate and encourage the development and operation of new and existing science parks and incubator facilities; and promote science, engineering, mathematics, and other disciplines that are essential to the development and application of technology within Connecticut by the infusion of financial aid for research, invention, and innovation in situations in which such financial aid would not otherwise be reasonably available from commercial or other sources.

The mission of CI is to be a leading source of financing and ongoing support for Connecticut's innovative, growing companies. CI seeks to fulfill this mission through the provision of flexible financing, strategic guidance, and introductions to valuable partners. CI operates three core programs: venture, loans, and innovative programs. The CI venture portfolio includes equity and debt investments in early-stage technology companies; the CI loan program helps early-stage and later-stage companies with capital expenditures and working capital; and the CI innovative programs focus on supporting research commercialization activities at universities and other research institutions, the pipeline of start-up companies, and talent retention.

CTNext, LLC

Section 32-39f of the General Statutes required CI to form a subsidiary, known as CTNext. Section 32-39i of the General Statutes established the CTNext Fund, a separate, non-lapsing fund administered by CI. Pursuant to Section 32-11e(c), CTNext is a subsidiary of CI and has the same privileges, immunities, tax exemptions, and other exemptions. CTNext retains its legal identity as a separate entity and has no recourse to the CI general funds, revenues, resources, or other assets. As administrator of the fund, CI is responsible for holding, administering, investing, and disbursing funds, subject to the approval of the CTNext Board of Directors. CI also provides staff, office space, systems, and administrative support.

The purpose of CTNext is to support Connecticut innovators and entrepreneurs and initiate practice changes to improve the statewide entrepreneurial ecosystem. CTNext is also responsible for regularly reassessing the health of such ecosystem, identifying its changing needs, adopting initiatives, or adapting existing initiatives to meet such needs. The CTNext board of directors regularly informs the General Assembly of these needs by recommending legislative changes to improve the statewide entrepreneurial ecosystem.

Organizational Structure

Connecticut Innovations, Incorporated

A 17-member [board of directors](#) governs CI. The Governor appoints nine members, six of whom shall be knowledgeable in the development of innovative start-up businesses and three of whom shall be knowledgeable in the field of financial lending or the development of commerce, trade, and business. Four of the members, who serve ex officio, are the Commissioner of Economic and Community Development, the president of the Connecticut State Colleges and Universities, the State Treasurer, and the Secretary of the Office of Policy and Management. Ex officio members may designate any member of their staff to represent them at board meetings with full power to act and vote on their behalf. Additionally, the president pro tempore of the Senate, the minority leader of the Senate, the speaker of the House of Representatives, and the minority leader of the House of Representatives each appoint one member. The Governor appoints a chairperson from among the board members.

In addition, the board established several committees and subcommittees to expedite certain CI business activities and maintain controls over its transactions. During the audited period, CI had five standing committees: Audit, Compliance, and Governance, Eli Whitney Investment, Finance and Operations, Compensation, and Loan. CI also had five advisory committees: Connecticut Bioscience Innovation Fund, Eli Whitney, Regenerative Medicine Research Fund, Regenerative Medicine Research Fund, and Valuation.

Matthew McCooe served as chief executive officer and executive director during the audited period and continues to serve in that capacity.

CTNext, LLC

A 12-member board of directors oversees CTNext. At least half of the members must be serial entrepreneurs representing a diverse range of growth sectors of the Connecticut economy. The members must be qualified in at least one of the following: start-up business development, growth stage business development, investment, innovation place development, and urban planning and technology commercialization in higher education. The Governor, speaker of the House of Representatives, president pro tempore of the Senate, majority leader of the House of Representatives, majority leader of the Senate, minority leader of the House of Representatives, and minority leader of the Senate each appoint one member. The chairpersons of the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue, and bonding jointly appoint two members. The chief executive officer of CI, the Commissioner of Economic and Community Development, and the Chief Workforce Officer serve ex officio.

Onyeka Obiocha served as executive director during the audited period.

Effective July 1, 2024, Public Act 24-149 consolidated CTNext within the Department of Economic and Community Development and rebranded it as the Office of Innovation.

Significant Legislative Changes

Notable legislative changes are presented below:

- **Public Act 21-2 June Special Session (Section 246)**, effective July 1, 2021, expanded the CTNext board of director's membership from 11 to 12, and adjusted membership diversity requirements.

- **Public Act 21-111 (Sections 92 through 94)**, effective July 1, 2021, authorized \$64.2 million in government obligation bonds over a five-year period (fiscal year 2022 to 2026) to recapitalize CTNext's innovation place program.
- **Public Act 24-149 (Sections 4 through 18)** effective July 1, 2024, transferred CTNext's responsibilities and duties to the Department of Economic and Community Development (DECD). It required that DECD honor and manage the CTNext Fund and its existing obligations.

Financial Information

Connecticut Innovations, Incorporated

Statement of Net Position

The financial positions of CI as of June 30, 2020, 2021, and 2022, per the audited financial statements, are as follows:

	As of June 30,		
	2020	2021	2022
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 30,606,700	\$ 33,677,240	\$ 59,084,219
Committed Cash and Cash Equivalents	25,950,119	25,950,119	30,297,686
Total Cash and Cash Equivalents	56,556,819	59,627,359	89,381,905
Current Portion of Loans	3,772,912	2,318,234	2,374,402
Current Portion of Portfolio Investments	1,124,798	2,684,717	2,063,244
Due from CTNext	510,802	1,208	9,058
Interest and Other Receivables	557,907	493,468	455,849
Prepaid Expenses	181,640	147,351	139,697
Due from State of Connecticut	336,704	801,212	590,944
Total Current Assets	63,041,582	66,073,549	95,015,099
Noncurrent assets			
Restricted Cash and Cash Equivalents	14,708,090	14,047,039	12,320,486
Portfolio Investments, Net of Current Portion	123,159,001	172,694,220	135,313,005
Loans - Noncurrent, Net of Allowance for Loan Losses	20,214,103	15,428,920	12,275,159
Capital Assets, Net of Depreciation	2,985,192	2,170,338	1,781,285
Other	66,000	66,000	66,000
Total Noncurrent Assets	161,132,386	204,406,517	161,755,935
Total Assets	\$224,173,968	\$270,480,066	\$256,771,034
Deferred Outflows of Resources			
Deferred Amount for Pension	9,837,412	8,122,852	7,558,124
Deferred Outflows - Other Post-Employment Benefits	8,508,852	8,658,497	6,143,217
Total Deferred Outflows of Resources	18,346,264	16,781,349	13,701,341
Liabilities			

Current Liabilities			
Custodial Liability	1,936,806	1,560,556	441,187
Accrued Expenses and Other Liabilities	3,506,332	4,949,005	5,073,477
Due to Connecticut Bioscience Innovation Fund	153,078	640,802	465,206
Reserve for Loss Guarantees	1,655,552	1,655,552	1,655,552
Unearned Revenue			2,767
Deferred Revenue	4,438	4,266	
Total Current Liabilities	7,256,206	8,810,181	7,638,189
Noncurrent Liabilities			
Net Pension Liability	29,765,417	28,521,961	25,849,343
Net Other Post Retirement Benefits Liability	33,679,649	33,334,008	24,929,682
Escrow Deposits	12,886	116,686	312,455
Total Noncurrent Liabilities	63,457,952	61,972,655	51,091,480
Total Liabilities	70,714,158	70,782,836	58,729,669
Net Position			
Net Investment in Capital Assets	2,985,192	2,170,338	1,781,285
Restricted	14,542,126	13,222,551	11,222,824
Unrestricted	147,483,922	192,369,696	184,149,775
Total Net Position	165,011,240	207,762,585	197,153,884
Total Liabilities and Net Position	\$235,725,398	\$278,545,421	\$255,883,553
Deferred Inflows of Resources			
Deferred Amount for Pension	3,338,031	3,143,133	3,414,245
Deferred Amount for other Post Retirement Benefits	3,456,803	5,572,861	11,174,577
Total Deferred Inflows of Resources	\$ 6,794,834	\$ 8,715,994	\$ 14,588,822

The net position of CI increased \$42.8 million in fiscal year 2021. The increase was primarily due to a \$51.1 million addition to CI's investment portfolio. This increase consisted of \$22.6 million of new investments funded and \$41.9 million of unrealized appreciation of investments, offset by \$6.3 million investments written-off and \$7.1 million of repayment of principal. During 2021, CI approved \$26.2 million and funded \$22.6 million for investments in new opportunities and continued support of existing portfolio companies.

The net position of CI decreased \$10.6 million in fiscal year 2022. CI's investment portfolio decreased due to unrealized valuation reductions, investment write offs, and principal repayments. The decrease was partially offset by new investments and principal and interest conversions. CI approved \$39.8 million and funded \$30.3 million for investments in new opportunities and continued support of existing portfolio companies.

Statement of Revenues, Expenses, and Changes in Net Position

The revenue, expenses, and changes in net position of CI for the fiscal years ended June 30, 2020, 2021 and 2022, per the audited financial statements, are as follows:

	As of June 30,		
	2020	2021	2022
Operating Revenues			
Investment Interest Income	\$ 2,256,480	\$ 1,247,209	\$ 5,466,658
Interest on Loans	1,334,389	1,173,571	586,188
Realized Gain on Investments - Net	3,805,355	12,557,838	52,185,819
Unrealized Gain/(Loss) on Investments - Net	(6,946,536)	41,856,918	(58,205,454)
Loan Fee Income	509,298	863,562	369,544
Other Income	1,677,535	1,512,309	2,680,281
Total Operating Revenues	2,636,521	59,211,407	3,083,036
Operating Expenses			
Salaries	5,192,315	6,406,197	6,782,627
Benefits and Payroll Taxes	4,168,667	5,093,534	5,229,943
Provision for Loan and Guarantee Losses	800,000	300,000	300,000
General Facility and Office	888,234	941,072	974,850
Professional Service Fees	1,172,359	768,871	1,067,425
Interest	9,111		
Marketing, Conferences, Development	542,879	230,897	584,266
Depreciation and Amortization	341,000	469,394	501,734
Other	2,005	1,519	25,000
Total Operating Expenses	13,116,570	14,211,484	15,465,845
Operating Income (Loss)	\$(10,480,049)	\$44,999,923	\$(12,382,809)
Non-Operating Revenues			
Grant and Program Income	2,227,729	376,250	1,119,369
Proof of Concept Funding	10,000,000		
Connecticut Bioscience Collaboration Funding	12,519,425	11,119,161	5,969,428
Recaptured Pension and OPEB Expense to Income			2,124,108
Total Non-Operating Revenues	24,747,154	11,495,411	9,212,905
Non-Operating Expenses			
Pension and Other Post Retirement Expense	2,284,498	1,896,978	
Grants and Programs	8,332,022	7,157,850	4,400,369
CT Bioscience Collaboration Loan Write-Down	6,769,425	4,689,161	3,038,428
Total Non-Operating Expenses	17,385,945	13,743,989	7,438,797
Non-Operating Income	\$7,361,209	(2,248,578)	1,774,108
Change In Net Position	\$ (3,118,840)	\$ 42,751,345	\$(10,608,701)

CI operating revenue increased by \$56.6 million in fiscal year 2021. This increase was primarily due to net realized and unrealized gains on investments and unrealized investment losses reported in the previous

year. Many of CI's portfolio companies in early and development stages were affected by the COVID-19 crisis. The net unrealized gains resulted from net increases in valuations for privately held companies in CI's investment portfolio and public holdings.

CI operating revenue decreased by \$56.1 million in fiscal year 2022. This decrease was primarily due to unrealized losses on investments partially offset by increases in net realized gains. CI previously recognized approximately \$52.5 million of realized gains in fiscal year 2022 as unrealized gains as of June 30, 2021, due primarily to mark-to-market adjustments for publicly traded equities. The net unrealized losses resulted from net decreases in valuations for privately held companies in CI's investment portfolio and public holdings.

CTNext

Statement of Net Position

Based on CTNext, LLC's audited financial statements, a summary of assets, liabilities, and net position for the audited period and the preceding fiscal year follows:

	As of June 30,		
	2020	2021	2022
Assets			
Cash and Cash Equivalents	\$ 8,780,162	\$ 18,541,409	\$ 11,138,091
Due from State of Connecticut	12,631	6,482	
Due from Connecticut Innovations Inc.		259,201	
Total Assets	8,792,793	18,807,092	11,138,091
Liabilities			
Accrued Expenses and Other Liabilities	2,747,993	3,359,090	3,388,770
Due to State of Connecticut			918
Due to Connecticut Innovations Inc.	510,802		9,058
Total Current Liabilities	3,258,795	3,359,090	3,398,746
Net Position			
Restricted for CTNext Fund	5,533,998	15,448,002	7,739,345
Total Net Position	5,533,998	15,448,002	7,739,345
Total Liabilities and Net Position	\$ 8,792,793	\$ 18,807,092	\$ 11,138,091

The increase in net position of CTNext during fiscal year 2021 was primarily due to an additional \$9.8 million in cash and cash equivalents. The decrease in net position during fiscal year 2022 was primarily due to a \$7.4 million reduction in cash and cash equivalents.

Statement of Revenues, Expenses, and Changes in Net Position

The revenue, expenses, and changes in net position of CTNext, LLC as of June 30, 2020, 2021, and 2022, per the audited financial statements, are as follows:

	As of June 30,		
	2020	2021	2022
Operating Revenues			
Connecticut Public Act No. 16-3 Bonding	\$ 5,000,000	\$ 19,700,000	
Grant Income	61,632		94,342
Investment Interest	134,717	11,247	30,952
Total Operating Revenues	5,196,349	19,711,247	125,294
Operating Expenses			
General and Administrative	275,000	337,000	500,000
Salaries	395,908	444,854	495,537
Benefits and Payroll Taxes	346,625	382,751	402,032
Professional Service Fees	315,933	271,528	238,738
Marketing	237,521	170,808	150,753
Other	14,401	17,567	39,924
Grants and Programs:			
Innovation Places	2,614,994	4,938,266	3,589,142
Partners	1,142,636	975,420	852,414
Technology Talent Bridge	526,367	785,172	739,528
Higher Education	2,209,946	1,386,206	430,574
Other Program Expense	142,290	87,671	395,309
Total Operating Expenses	8,221,621	9,797,243	7,833,951
Change In Net Position	(3,025,272)	9,914,004	(7,708,657)
Net Position – Beginning of Year	8,559,270	5,533,998	15,448,002
Net Position – End of Year	\$ 5,533,998	\$ 15,448,002	\$ 7,739,345

CTNext's operating revenue grew by \$14.5 million in fiscal year 2021, primarily due to a \$14.7 million increase in state bond funds drawn. CTNext did not draw state bond funds in fiscal year 2022 resulting in a decrease of \$19.6 in operating revenue.

Operating expenses increased by \$1.6 million in fiscal year 2021 and decreased by \$2 million in fiscal year 2022. The majority of CTNext's operating expenses were for grants and programs. Changes were due to fluctuations in the amount of CTNext grants.

Other Audits and Engagements

Independent public accountants audited CI, CTNext, and the Connecticut Bioscience Innovation Fund (CBIF) for the years under review. Those audits attested that the financial statements presented fairly, in all material respects, the financial position of CI, CTNext, and the CBIF for the audited period, and the results of the operations and cash flows during the period in conformity with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the independent public accountants provided reports on compliance and internal controls over financial reporting. The reports on compliance with certain laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.