

**UNIVERSITY OF FLORIDA
RESEARCH FOUNDATION, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
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JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors,
University of Florida Research Foundation, Inc.
Gainesville, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Florida Research Foundation, Inc. (the Research Foundation), a direct-support organization and component unit of the University of Florida, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements which collectively comprise the Research Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Research Foundation's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Research Foundation as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

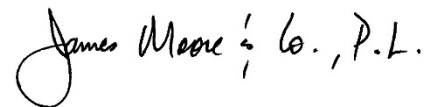
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020 on our consideration of the Research Foundation's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Research Foundation's internal control over financial reporting and compliance.



Gainesville, Florida
September 14, 2020

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida Research Foundation, Inc. (the Research Foundation) for the fiscal years ended June 30, 2020 and 2019, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities, as amended by GASB Statement Nos. 37, 38, 63, and 65. The MD&A, the financial statements, and the notes thereto are the responsibility of the Research Foundation management.

FINANCIAL HIGHLIGHTS

The Research Foundation's assets totaled \$171.7 million at June 30, 2020. This balance reflects a decrease of \$3.6 million or 2.1% in assets from June 30, 2019. Due from University of Florida (the University) decreased by \$3.6 million because the Research Foundation's operating expenses increased. Total liabilities were \$64.3 million at June 30, 2020, a decrease of \$4.5 million or 6.5% in liabilities from June 30, 2019. Inventors' allocations payable decreased by \$2.1 million. University allocations payable decreased by \$42.3 million, but Funds held on behalf of others increased by \$40.1 million, mainly because the Research Foundation held department allocations of \$39.0 million on behalf of UF Research (formerly Office of Research). As a result, the Research Foundation's net position increased to \$107.4 million. The Research Foundation's assets totaled \$175.3 million at June 30, 2019, which reflected an increase of \$50.0 million or 39.9% in assets from June 30, 2018. Liabilities totaled \$68.7 million and \$23.3 million at June 30, 2019 and 2018, respectively.

The Research Foundation's operating revenue totaled \$47.0 million in the fiscal year ended June 30, 2020, reflecting a \$36.8 million decrease compared to the fiscal year ended June 30, 2019. Operating revenues were largely comprised of royalty and licensing revenue, and reimbursement of patent and licensing costs. Out of those, royalty and licensing income slightly increased compared with the fiscal year ended June 30, 2019, excluding the \$38.7 million one-time income from the Brammer equity sale. Reimbursements of patent and licensing costs also increased slightly to \$4.6 million in fiscal year 2020. The Research Foundation's operating revenues totaled \$83.7 million and \$33.8 million in fiscal years 2019 and 2018, respectively.

The costs of royalties and licenses totaled \$34.1 million for the fiscal year ended June 30, 2020, reflecting a decrease of \$37.4 million or 52.3% from the fiscal year ended June 30, 2019. The major components of these costs were royalty allocations to the individual inventors and their respective programs, departments, and colleges, as well as payments for patent and licensing costs. The Research Foundation's costs of royalties and licenses were \$71.5 million for the fiscal year ended June 30, 2019. This was an increase of \$45.9 million or 179% from the fiscal year ended June 30, 2018.

Operating expenses totaled \$14.8 million for the fiscal year ended June 30, 2020, reflecting an increase of \$4.8 million or 47.7% from the fiscal year ended June 30, 2019. This was primarily due to increases in research support to the University. The Research Foundation's operating expenses totaled \$10.0 million for the fiscal year ended June 30, 2019, representing an increase of \$3.7 million or 58.2% from the fiscal year ended June 30, 2018.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

Net nonoperating revenues totaled \$2.8 million and \$2.3 million for the fiscal years ended June 30, 2020 and 2019, respectively. The main components of nonoperating revenues were unit repayments for the Cancer/Genetics Building and net increase in the fair value of investments.

The ending balance of the Research Foundation's cash and cash equivalents was \$1.5 million at June 30, 2020. The net cash used in operating activities was \$1.8 million for fiscal year 2020, reflecting a decrease of \$0.6 million compared with fiscal year 2019. The only component in net cash provided by capital financing activities was unit repayments for the Cancer/Genetics Building of \$2.3 million. The net cash used by investing activities was \$0.8 million for fiscal year 2020. The Research Foundation formed the Strategic Early Stage Investment Committee and started investing in early stage companies that licensed University technology or inventions. The ending balance of the Research Foundation's cash and cash equivalents was \$1.8 million at June 30, 2019. The net cash used in operating activities was \$2.4 million for fiscal year 2019, which reflects an increase of \$0.1 million compared with fiscal year 2018.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 63, the Research Foundation's financial report includes three basic financial statements: The Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; and the Statements of Cash Flows.

The Statements of Net Position consist of current and non-current assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Position characterize revenues and expenses as either operating or nonoperating. A portion of the Research Foundation's anticipated recurring resources is considered nonoperating as defined by GASB Statement No. 35. The principal component of recurring nonoperating revenues for the fiscal year ended June 30, 2020 was unit repayments for the Cancer/Genetics Building of \$2.3 million. Finally, the Statements of Cash Flows consist of cash flows from operating, capital and related financing, and investing activities.

FINANCIAL HIGHLIGHTS OF THE RESEARCH FOUNDATION

The Statements of Net Position report all financial and capital resources of the Research Foundation at the end of the fiscal year. Net Position over time can be a useful indicator of an entity's financial position. The Research Foundation's assets exceeded liabilities as of June 30, 2020, 2019, and 2018 by approximately \$107.4, \$106.5, and \$102.1 million, respectively. The following schedules are the Research Foundation's condensed Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; and Statements of Cash Flows:

The Research Foundation's Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current assets	\$ 171,669,158	\$ 175,277,948	\$ 125,326,462
Total assets	<u>171,669,158</u>	<u>175,277,948</u>	<u>125,326,462</u>
Current liabilities	<u>64,254,122</u>	<u>68,743,887</u>	<u>23,272,433</u>
Total liabilities	<u>64,254,122</u>	<u>68,743,887</u>	<u>23,272,433</u>
Net position			
Unrestricted	<u>107,415,036</u>	<u>106,534,061</u>	<u>102,054,029</u>
Total Net Position	<u>\$ 107,415,036</u>	<u>\$ 106,534,061</u>	<u>\$ 102,054,029</u>

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

The Research Foundation's Activities and Changes in Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues			
Operating revenues	\$ 46,966,327	\$ 83,732,554	\$ 33,804,981
Costs of royalties and licenses	(34,114,346)	(71,543,631)	(25,645,283)
Net operating revenue	<u>12,851,981</u>	<u>12,188,923</u>	<u>8,159,698</u>
Total operating expenses	<u>(14,802,294)</u>	<u>(10,022,599)</u>	<u>(6,334,030)</u>
Operating income/(loss)	(1,950,313)	2,166,324	1,825,668
Nonoperating revenues, net	2,831,288	2,313,708	2,308,954
Change in Net Position	<u>\$ 880,975</u>	<u>\$ 4,480,032</u>	<u>\$ 4,134,622</u>

The Research Foundation's Cash Flows

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash provided by (used in):			
Operating activities	\$ (1,805,402)	\$ (2,393,234)	\$ (2,279,331)
Capital financing activities	2,300,000	2,300,000	2,300,000
Investing activities	<u>(764,672)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(270,074)	(93,234)	20,669
Cash and cash equivalents, beginning of year	1,810,366	1,903,600	1,882,931
Cash and cash equivalents, end of year	<u>\$ 1,540,292</u>	<u>\$ 1,810,366</u>	<u>\$ 1,903,600</u>

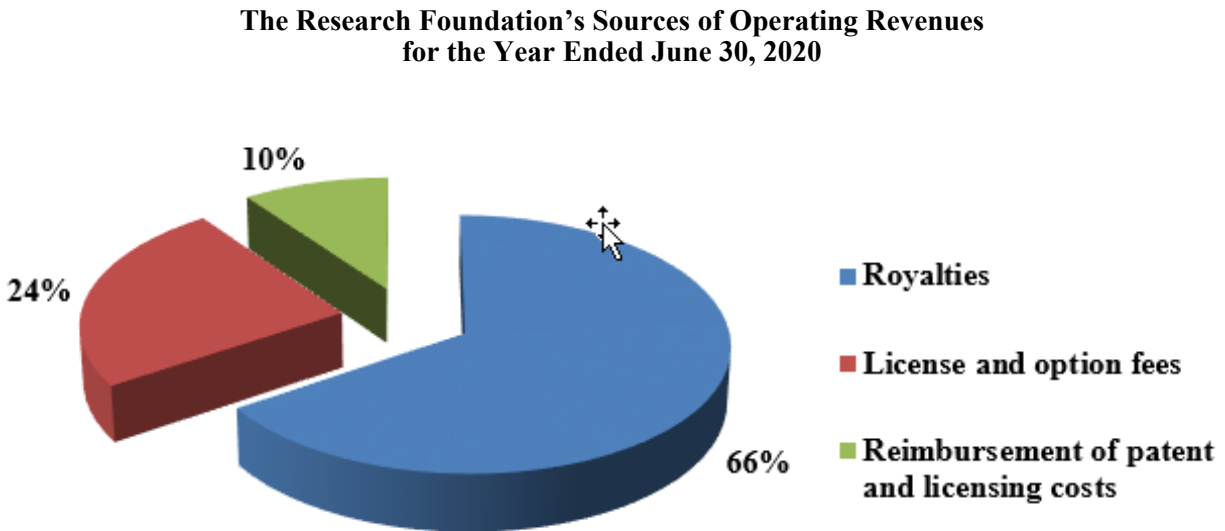
FINANCIAL POSITION AND RESULTS OF OPERATIONS

The Research Foundation is considered a component unit of the University for accounting purposes. In addition, the Research Foundation is self-supporting, and does not receive any State support.

The Research Foundation strives to operate on a financial breakeven basis generating revenue sufficient to cover operating costs. All capital assets purchased by the Research Foundation are immediately donated to the University; therefore, the Research Foundation has no capital assets.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019
(Continued)

A graphical representation of the Research Foundation's sources of operating revenues for the year ended June 30, 2020 is as follows:



ECONOMIC OUTLOOK

The Research Foundation's economic outlook is closely related to, and largely dependent on the ongoing royalty and licensing income received. There is great uncertainty regarding income sources in fiscal year 2021 due to the COVID-19 pandemic; however despite that, royalty and licensing income is expected to remain fairly stable with moderate growth over the long-term. For fiscal year 2021, royalty and licensing income from recurring items is budgeted at \$29 million.

CONTACTING MANAGEMENT

This financial narrative is designed to provide you with a general overview of the Research Foundation's finances and to show accountability for the various revenues we receive. If you have questions about this report or need additional financial information, please contact the Business Office:

University of Florida Research Foundation, Inc.
310 Walker Hall
PO Box 115500
Gainesville, FL 32611-5500
(352) 392-5221

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,540,292	\$ 1,810,366
License fees and royalties receivable, net	6,670,962	7,757,278
Patent and licensing costs receivable, net	1,175,414	1,163,774
Due from University of Florida	160,770,000	164,330,000
Investments, unrestricted, at fair value	1,512,490	216,530
Total current assets	171,669,158	175,277,948
Total assets	171,669,158	175,277,948
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	1,344,374	1,179,236
Patent and licensing costs payable	1,664,953	1,994,543
Inventors' allocation payable	930,917	3,005,228
University allocation payable:		
License fees and royalties payable	15,548,469	57,884,077
Funds held on behalf of others	44,765,409	4,680,803
Total current liabilities	64,254,122	68,743,887
Total liabilities	64,254,122	68,743,887
<u>NET POSITION</u>		
Net position		
Unrestricted	\$ 107,415,036	\$ 106,534,061

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Royalties	\$ 30,548,023	\$ 29,264,596
License and option fees	11,390,039	50,272,402
Reimbursement of patent and licensing costs	4,640,119	3,834,346
Unexpended program support returned to the Research Foundation	348,179	15,589
Miscellaneous operating revenues	39,967	345,621
Total operating revenues	<u>46,966,327</u>	<u>83,732,554</u>
Cost of royalties and licenses		
Inventors' allocations	5,628,520	6,980,516
Inventors' department allocations	17,913,360	54,887,406
Inventors' college allocations	1,578,188	1,359,890
Inventors' program allocations	1,634,930	1,461,036
Patent and licensing	7,359,348	6,854,783
Total cost of royalties and licenses	<u>34,114,346</u>	<u>71,543,631</u>
Net operating revenues	<u>12,851,981</u>	<u>12,188,923</u>
Operating expenses		
Research and development awards	649,634	1,473,162
Gatorade research allocations	8,805,268	3,827,225
Tech licensing expenses		
Salary reimbursement	3,232,473	2,596,190
Other administrative expenses	527,878	412,823
Administrative expenses:		
Salary reimbursement	745,525	709,226
Publications	149,007	277,999
Other administrative expenses	692,509	725,974
Total operating expenses	<u>14,802,294</u>	<u>10,022,599</u>
Operating income (loss)	<u>(1,950,313)</u>	<u>2,166,324</u>
Nonoperating revenues		
Investment income	1,425	2,495
Net increase in the fair value of investments	529,863	11,213
Unit repayments for the Cancer/Genetics Building	2,300,000	2,300,000
Total nonoperating revenues	<u>2,831,288</u>	<u>2,313,708</u>
Change in net position	880,975	4,480,032
Net position, beginning of year	106,534,061	102,054,029
Net position, end of year	<u><u>\$ 107,415,036</u></u>	<u><u>\$ 106,534,061</u></u>

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities		
Receipts and disbursements from licensed products:		
Royalties	\$ 30,909,286	\$ 28,412,430
License and option fees	12,115,092	50,470,100
Reimbursement of patent and licensing costs	4,628,479	4,057,802
Inventors' allocation payments	(7,702,831)	(5,496,039)
University allocation payments	(19,304,470)	(15,394,925)
Patent and licensing costs	(7,688,938)	(6,403,834)
Total receipts and disbursements from licensed products, net	12,956,618	55,645,534
 Funds held on behalf of others:		
Receipts	2,733,026	3,336,712
Disbursements	(6,806,036)	(2,179,107)
Total funds held on behalf of others, net	(4,073,010)	1,157,605
 Unexpended program support returned to the Research Foundation	348,179	15,589
Gatorade allocations	(8,805,268)	(3,827,225)
Research and development awards	(658,087)	(1,481,615)
Due from the University of Florida, net	3,560,000	(49,600,000)
Payments to vendors and salary reimbursements	(5,173,801)	(4,648,743)
Miscellaneous	39,967	345,621
Net cash used in operating activities	(1,805,402)	(2,393,234)
 Cash flows from capital and related financing activities		
Unit repayments for the Cancer/Genetics Building	2,300,000	2,300,000
Net cash provided by capital and related financing activities	2,300,000	2,300,000
 Cash flows fom investing activities		
Purchase of investments	(874,996)	-
Proceeds from investments	110,324	-
Net cash used by investing activities	(764,672)	-
 Net decrease in cash and cash equivalents	(270,074)	(93,234)
 Cash and cash equivalents, beginning of year	1,810,366	1,903,600
 Cash and cash equivalents, end of year	\$ 1,540,292	\$ 1,810,366

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Continued)

	2020	2019
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	\$ (1,950,313)	\$ 2,166,324
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
(Increase) decrease in license fees and royalties receivable	1,086,316	(654,468)
(Increase) decrease in patent and licensing costs receivable	(11,640)	223,456
(Increase) decrease in receivable from the University of Florida, net	3,560,000	(49,600,000)
Increase in accounts payable	165,138	65,016
Increase (decrease) in patent and licensing costs payable	(329,590)	450,949
Increase (decrease) in inventors' allocation payable	(2,074,311)	1,484,477
Increase in license fees and royalties payable	1,822,008	42,313,407
Increase (decrease) in funds held on behalf of others	(4,073,010)	1,157,605
Net cash used in operating activities	<u>\$ (1,805,402)</u>	<u>\$ (2,393,234)</u>
Supplemental noncash information		
Net increase in the fair value of investments, unrestricted	<u>\$ 529,863</u>	<u>\$ 11,213</u>
Net increase in funds held on behalf of others	<u>\$ 38,957,616</u>	<u>\$ -</u>

The net increase in the fair value of unrestricted investments above was recognized in the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020 and 2019.

The noncash portion of the net increase in the fund held on behalf of the others represents the royalty returns allocated to UF Research and held in a separate project at the Research Foundation. The amount was recognized in the Statements of Net Position for the year ended June 30, 2020.

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of the Research Foundation which affect elements of the accompanying basic financial statements:

(a) **Reporting entity**—The Research Foundation is a direct support organization and component unit of the University as provided for under Section 1004.28, Florida Statutes. The Research Foundation was formed as a Florida not-for-profit organization in August of 1986. The Research Foundation's purpose is to assist the University in the funding of research and development, and in the commercialization of intellectual properties which include: inventions, discoveries, processes, and work products. When inventions and other intellectual property of the University are commercialized through the Research Foundation, the proceeds are distributed pursuant to the University's Intellectual Property Policy.

(b) **Measurement focus, basis of accounting, and financial statement presentation**—The financial statements of the Research Foundation have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

For financial reporting purposes, the Research Foundation is considered a special purpose government entity engaged only in business-type activities. Accordingly, the Research Foundation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP for proprietary funds, which is similar to those for private business enterprises. Therefore, revenues are recorded when earned and expenses are recorded when incurred.

The entire Net Position of the Research Foundation is considered to be unrestricted, in accordance with the purpose and bylaws of the Research Foundation [see Notes (1)(a) and (6)].

(c) **Cash and cash equivalents**—The Research Foundation's cash and cash equivalents are demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statements of cash flows, the Research Foundation considers all deposit accounts cash and cash equivalents.

(d) **Receivables**—License fees and royalties receivable, and patent and licensing costs receivable are recorded at net realizable value and are unsecured. The Research Foundation's policy is to provide an allowance for these receivables that are not expected to be paid. Receivables are periodically evaluated for collectability based on past payment history with companies and their current financial condition.

The balance in allowance for doubtful accounts for license fees and royalties receivable is \$40,000 at June 30, 2020 and 2019. The balance in allowance for doubtful accounts for patent and licensing costs receivable is \$780,000 and \$920,000 at June 30, 2020 and 2019, respectively.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Investments and fair value measurements**—In general, investments are reported at fair value when available. The Research Foundation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

(f) **Due from University of Florida**—The Research Foundation transfers excess operating cash to the University and withdraws funds as needed for operations [see Note (2)].

(g) **Funds held on behalf of others**—Funds held on behalf of others include the following: license income or lease payments collected on behalf of the Research Foundation's affiliated entities, inventors' department allocations held at the Research Foundation, and a deposit held in trust for another not-for-profit entity [see Notes (5)].

(h) **Income taxes**—The Research Foundation is generally exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements. The Research Foundation files informational tax returns in the U.S. federal jurisdiction. The Research Foundation's tax returns for the past three years are subject to examination by tax authorities and may change upon examination, but changes would not be expected to be material.

(i) **Classification of revenues**—The Research Foundation classifies its revenues as operating or nonoperating according to the following criteria:

- *Operating Revenues*—Include activities that have the characteristics of exchange transactions, such as royalty and license fees.
- *Nonoperating Revenues*—Include activities that have characteristics of nonexchange transactions, such as investment income.

(j) **Unexpended program support returned to the Research Foundation**—Program support funds that are no longer regularly utilized, or for which the deadline for expenses has passed, are returned to the Research Foundation and are recognized as operating revenue in the year returned.

(k) **Accounting estimates**—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

(l) **Management's review**—The Research Foundation's management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 14, 2020, the date the financial statements were available to be issued.

(m) **Pronouncements issued**—GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB No. 84 seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes, and how those activities should be reported. The provisions in GASB No. 84 are effective for fiscal years beginning after December 15, 2019, as

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(1) **Summary of Significant Accounting Policies:** (Continued)

amended by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

GASB also issued Statement No. 87, *Leases*, in June 2017. GASB No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities, for leases that were previously classified as operating leases, and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB No. 87 are effective for fiscal years beginning after June 15, 2021, as amended by GASB No. 95.

Management has not currently determined what, if any, impact implementation of these statements will have on the Research Foundation's financial statements.

(2) **Due from University of Florida:**

Effective July 1, 2014, the Research Foundation entered into an agreement with the University where substantially all investments and excess operating cash is held by the University on behalf of the Research Foundation. All earnings, losses, and associated fees related to these funds will be retained or paid by the University. The Research Foundation has same day liquidity in regards to these funds up to \$10,000,000. A withdrawal of more than \$10,000,000 requires two days written notice. The balance of the funds held by the University was \$160,770,000 and \$164,330,000 at June 30, 2020 and 2019, respectively. These funds are shown as Due from University of Florida on the Statements of Net Position.

(3) **Cash, Cash Equivalents, and Investments:**

As of June 30, 2020 and 2019, cash and cash equivalents were held by depositories with bank balances amounting to \$1,637,362 and \$1,817,833, respectively. The Research Foundation's cash deposit account is insured by the federal public depository insurance corporation (FDIC) up to \$250,000 or fully collateralized by the bank's participation as a qualified public depository pursuant to the Florida Statutes, Chapter 280, Security for Public Deposits Act (the Act), and therefore, not subject to custodial credit risk.

Investments

The Research Foundation's investment policy describes the types of investments that it is authorized to purchase. As of June 30, 2020 and 2019, investments consist of the following:

<u>Investment Type</u>	<u>2020</u>	<u>2019</u>
Equity Securities [see Note (7) and (8)]	\$ 1,512,490	\$ 106,512
State of Florida Special Purpose Investment Account (SPIA)	-	110,018
Total Investments	\$ 1,512,490	\$ 216,530

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(3) **Cash, Cash Equivalents, and Investments:** (Continued)

As shown in the accompanying Statements of Net Position:

	2020	2019
Unrestricted investments, at fair value	\$ 1,512,490	\$ 216,530
Total Investments	\$ 1,512,490	\$ 216,530

SPIA—is an external investment pool and participation in the pool represents ownership of a share of the pool, not the underlying securities. The Research Foundation relied on policies developed and administered by the Florida State Treasury for managing interest rate risk or credit risk for this investment pool until the Research Foundation liquidated all its investments in SPIA during the year ended June 30, 2020.

GASB Statement No. 40, Deposit and Investment Risk Disclosures—requires disclosure concerning certain investment and deposit risk attributes for interest rate risk, credit risk, concentration of credit risk, custodial credit risk, and foreign currency risk.

Interest Rate Risk

The effective duration of SPIA is as follows:

Investment Type	As of June 30, 2019	
	Fair Value	Duration
SPIA	\$ 110,018	2.71 Years

No other interest rate risk information is provided on applicable investments.

Credit Risk—The following is information regarding the credit risk by applicable type of investments and/or portfolio:

Investment Type	As of June 30, 2019 Credit Ratings
SPIA	AA-f

Concentration of Credit Risk

The Research Foundation’s investment policy does not allow for an investment in any one issuer in excess of 10% of the investment portfolio on a notional basis at the time of purchase. Exceptions to this policy are debt issues of the U.S. Government, mutual funds, external investment pools, and other pooled investments. There are no concentrations of credit risk.

Custodial Credit Risk—During fiscal years 2020 and 2019, no investments had associated custodial credit risk.

Foreign Currency Risk—The Research Foundation has no investments in foreign currencies.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(4) Related Parties:

University of Florida

The Research Foundation recognized license and royalty income allocations to Inventors' respective departments, colleges, and programs for \$21,126,478 and \$57,708,332 for the fiscal years ended June 30, 2020 and 2019, respectively; of which \$15,548,469 and \$57,884,077 were payable at June 30, 2020 and 2019, respectively.

The Research Foundation provided the University with research support of \$9,236,640 and \$4,772,137 for the fiscal year ended June 30, 2020 and 2019, respectively. There was no outstanding payable at June 30, 2020 and 2019.

The Research Foundation has no employees and is supported by employees of the University. The Research Foundation reimburses the University based on a valuation that is determined by specific employees' time, pay rate, and fringe benefits. The Research Foundation reimbursed the University \$3,977,998 and \$3,305,416 for such services during fiscal years 2020 and 2019, respectively.

Equity Ownerships

The Research Foundation has acquired equity positions in commercial enterprises as consideration for various license agreements [see Note (7)]. The Research Foundation has no cost basis for these positions and their fair value is not subject to reasonable estimations. Accordingly, the value of these investments is not reflected on the statement of net position.

If the positions become actively traded or transact over-the-counter on a less frequent basis, and the fair value can be determined, then the Research Foundation records the equity on its statement of net position at fair value and recognizes related income [see Notes (7) and (8)].

Additionally, the Research Foundation has formed the Strategic Early Stage Investment Committee (the Committee) and started investing in early stage companies that have licensed University technology or inventions. The Committee follows the lead of a Qualified Venture Capital Fund for any investment, and may not be an initial or lead investor in a company. The Research Foundation has cost basis for these equity positions, and can reasonably estimate their fair market value [See Notes (7) and (8)].

Florida Research Consortium

The Florida Research Consortium (FRC) is a Florida not-for-profit corporation established to facilitate and foster information technology advancement in Florida through collaboration and research partnerships between academia, industry and state government. The FRC became inactive during fiscal year 2020 and named the Research Foundation as the qualified successor entity to maintain the remaining assets and the nonprofit status of the FRC.

(5) Funds Held on Behalf of Others

The Research Foundation held funds on behalf of Research Foundation affiliated entities. The Research Foundation collected payments for licensed space on behalf of the Hub, Sid Martin Biotech, and UF Research during fiscal years 2020 and 2019.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(5) **Funds Held on Behalf of Others:** (Continued)

The Research Foundation also allocated royalties from the Brammer license agreement and equity sale to UF Research, and held the allocated amount on behalf of UF Research in a separate project at the Research Foundation during fiscal year 2020. The funds will be transferred to the university upon request.

The Research Foundation held the small remaining balance of \$56,060 on behalf of the FRC since the FRC became inactive during fiscal year 2020,

Changes in funds held on behalf of others are as follows for the fiscal years ended June 30:

	<u>2020</u>	<u>2019</u>
Balances , beginning of year	\$ 4,680,803	\$ 3,523,198
Additions	46,890,642	3,336,712
Deductions	<u>(6,806,036)</u>	<u>(2,179,107)</u>
Balances , end of year	<u>\$ 44,765,409</u>	<u>\$ 4,680,803</u>

(6) **Unrestricted Net Position:**

Unrestricted Net Position is classified as follows at June 30:

	<u>2020</u>	<u>2019</u>
Designated		
Gatorade Fund —This component represents funds that are discretionary to the President of the Research Foundation, to support the Research Enterprise of the University. These funds arise by virtue of a stipulation and subsequent agreements to the sale of Gatorade.	\$ 80,838,130	\$ 82,639,386
Other Research Commitments	12,000,000	12,000,000
Total Designated	<u>92,838,130</u>	<u>94,639,386</u>
Undesignated		
This component represents funds that have not been designated for any purpose by the Board of Directors and are readily available for expenditure in accordance with the purpose and bylaws of the Research Foundation [see Note (1) (a)].	14,576,906	11,894,675
Total Unrestricted Net Position	<u>\$ 107,415,036</u>	<u>\$ 106,534,061</u>

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(7) Equity Ownerships:

The Research Foundation acquired equity positions in commercial enterprises as consideration for license agreements, in addition to revenues received for license fees of \$11,390,039 and \$50,272,402 in fiscal years 2020 and 2019, respectively. The Research Foundation has no cost basis in these investments, and their market value is not subject to reasonable estimations. Accordingly, the value of these investments is not reflected on the Statements of Net Position.

The following table is a summary of the Research Foundation's ownership positions and shares or units owned in each at June 30:

	<u>2020</u>	<u>2019</u>
Aavantibio, Inc.	268,529	-
aaVective, Inc.	134,100	134,100
Apollidon Holdings, Inc.	24,157	24,157
ARMASI, Inc.	50	50
Banyan Biomarkers, Inc.	1,706,275	1,706,275
Benson Hill Biosystems, Inc.	10,000	10,000
BioProdex, Inc.	150	150
Clinipace, Inc.	228,079	228,079
CoMentis, Inc.	198,253	198,253
Comm-N-Sense Corp.	29,000	29,000
Cool Flow Dynamics, Inc.	7,000	7,000
Curtis Healthcare, Inc.	268,122	268,122
Dialectic Therapeutics, Inc.	150,000	-
Encor Biotechnology, Inc.	12,000	12,000
Entrinsic Beverage Co., LLC	663,254	-
Entrinsic Health Solutions, Inc.	663,254	663,254
Genascence Corp.	43,711	-
Gila Therapeutics, Inc.	75,598	75,598
Immunomic Therapeutics, Inc.	50,000	50,000
Key Medical Technologies, Inc.	49,500	49,500
Lacerta Therapeutics, Inc.	526,400	526,400
Morphogenesis, Inc.	230,923	230,923
Nanophotonica, Inc.	2,307,773	2,307,773
NanoTherics, Ltd.	570	570
Nirvana Therapeutics, Inc.	45,000	45,000
Novacyte Biosciences	1,350,000	1,350,000
NuVax Therapeutics, Inc.	-	610,000
NxtGen Nano, Inc.	3,949,737	3,949,737
Oceanyx Pharmaceuticals, Inc.	31,579	31,579
Ology Bioservices, Inc.	35,000	35,000
Oracle Diagnostics, Inc.	239,940	239,940
Prana Therapeutics, Inc.	251,500	251,500
QuantumBio, Inc.	524,822	524,822
Red Lambda, Inc.	192,857	192,857

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(7) **Equity Ownerships:** (Continued)

	<u>2020</u>	<u>2019</u>
ReliOx Corp.	25,000	25,000
Sentinel Diagnostic Imaging, Inc.	60,000	60,000
Shadow Learning, Inc.	5,362	5,362
Sharklet, Inc.	228,151	228,151
Sinmat, Inc.	4,636	4,636
Sol-Gel Solutions, Inc.	2	2
StrideBio, Inc.	71,752	71,752
Structured Monitoring Products, Inc.	400,000	400,000
TAO Connect, Inc.	26,316	26,316
Vala Sciences, Inc.	38,213	38,213
Xhale, Inc.	1,807,292	1,807,292
Xortx Therapeutics, Inc.	1,887,592	1,887,592
AgyPharma, LLC	10% of Units	10% of Units
Apeliotus Life Science Holdings, LLC	15,000 Units	15,000 Units
Axoxy Laboratories LLC	5% of Units	5% of Units
CerBurg Products, Ltd.	8 Units	8 Units
Cooley Biotech, Inc.	15% of Units	15% of Units
Enviroflux, LLC	632 Units	632 Units
Evident Energy Ltd.	2.5% of Units	2.5% of Units
Evolugate, LLC	7,374 Units	7,374 Units
Florida Insect Control Group, LLC	5% of Units	5% of Units
Greybind Power, LLC	5% of Units	-
Lastinger Learning Ventures, LLC	-	5% of Units
NirVision LLC	10% of Units	10% of Units
nRadiance, LLC	-	12% of Units
nVerPix, LLC	10% of Units	10% of Units
Osage Partners	2.5% of Units	2.5% of Units
Prometheon Pharma, LLC	10.05% of Units	10.05% of Units
RAPiD Genomics, LLC	10.20% of Units	10.20% of Units
Redox Power Systems, LLC	3.6% of Units	3.6% of Units
Satlantis, LLC	2% of Units	2% of Units
Seropeutics, LLC	10% of Units	10% of Units
SimuGrid Technology, LLC	5% of Units	5% of Units
XDG, LLC	4% of Units	4% of Units

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(7) **Equity Ownerships:** (Continued)

Additionally, the Research Foundation has recorded the following equity interests at fair value as of June 30, 2020 and 2019. The Research Foundation obtained these interests as license or royalty payments, or through direct investments in early stage companies that licensed University technology or inventions. These interests are either stocks traded over-the-counter or partnership interests. Algernon Pharmaceuticals, Inc., Cannabix Technologies, Inc., and Sun Biopharma, Inc. are valued at NAV [see Note (8)]. The equity interests with \$0 estimated fair value are excluded from the table.

Name of Security	2020		2019	
	Number of Shares	Amount	Number of Shares	Amount
Abfero Pharmaceuticals, Inc.	600,625	\$ 300,313	100,625	\$ -
Algernon Pharmaceuticals, Inc.	234,081	20,621	234,081	19,760
Atsena Therapeutics, Inc.	164,432	318,998	N/A	-
Cannabix Technologies, Inc.	603,870	55,827	603,870	65,368
Inflexion Fund, LP	N/A	29,038	N/A	20,071
Matrix Technologies, Inc.	145,112	249,999	N/A	-
Oragenics, Inc.	2,679	1,859	2,679	1,313
Sun BioPharma, Inc.	114,423	12,492	114,423	-
TearClear Corp.	611,269	523,343	424,939	-
Total Equities		<u>\$ 1,512,490</u>		<u>\$ 106,512</u>

(8) **Fair Value Measurements:**

The Research Foundation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Research Foundation has the following recurring fair value measurements as of June 30, 2020 and 2019:

Equity ownership funds – Valued at the daily closing price as reported by the fund (Level 1), at market prices for similar assets in active markets (Level 2), for securities that are actively traded on a frequent basis using complex market prices and subjective assumptions (Level 3), or at NAV of units held as reported by the fund advisor, for securities that are traded over-the-counter on a less frequent basis. NAV is used as a practical expedient, and the estimated value is subject to uncertainty; therefore, it may differ from the value that would have been used had a readily available market for such investments existed, and differences could be material.

SPIA – Valued based on the ownership of a share of a pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. Participants contribute to the Treasury Pool on a

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(8) **Fair Value Measurements:** (Continued)

dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participants' total cash balances.

The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The fair value factor was 1.01013 as of June 30, 2019.

The following table summarizes the assets and liabilities of the Research Foundation for which fair values are determined on a recurring basis as of June 30, 2020 and 2019, respectively:

<u>Description</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
June 30, 2020:				
Equity ownerships	\$ 1,859	\$ 29,038	\$ 1,392,653	\$ 1,423,550
Total assets in the fair value hierarchy	<u>\$ 1,859</u>	<u>\$ 29,038</u>	<u>\$ 1,392,653</u>	1,423,550
Investments measured at NAV*				88,940
Investments at fair value				<u>\$ 1,512,490</u>
<u>Description</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
June 30, 2019:				
Equity ownerships	\$ 1,313	\$ 20,071	\$ -	\$ 21,384
SPIA	-	-	110,018	110,018
Total assets in the fair value hierarchy	<u>\$ 1,313</u>	<u>\$ 20,071</u>	<u>\$ 110,018</u>	131,402
Investments measured at NAV*				85,128
Investments at fair value				<u>\$ 216,530</u>

* In accordance with GASB No. 72, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net position.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(8) **Fair Value Measurements:** (Continued)

The following table discloses the nature and risk of investments for which fair value has been estimated using the NAV per share of the investments as a practical expedient as of June 30, 2020 and 2019. The equity interests with \$0 estimated fair value are excluded from the table.

Investments Measured at Net Asset Value as of June 30, 2020

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Algernon Pharmaceuticals, Inc.	\$ 20,621	\$ -	Illiquid	N/A
Cannabix Technologies, Inc.	55,827	-	Illiquid	N/A
Sun Biopharma, Inc.	12,492	-	Illiquid	N/A
	<u>\$ 88,940</u>	<u>\$ -</u>		

Investments Measured at Net Asset Value as of June 30, 2019

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Algernon Pharmaceuticals, Inc.	\$ 19,760	\$ -	Illiquid	N/A
Cannabix Technologies, Inc.	65,368	-	Illiquid	N/A
	<u>\$ 85,128</u>	<u>\$ -</u>		

(9) **Concentrations:**

During the fiscal year ended June 30, 2020, the Research Foundation received approximately 78% of its total royalties, licenses, and option fees from three companies; compared with 75% received from two companies for the fiscal year ended June 30, 2019. The revenues from each of these companies individually accounted for at least 10% of total royalties and fees.

(10) **Risk Management:**

The Research Foundation is exposed to various risks of loss including: suits against directors and officers; general liability; and property and casualty. Conventional and commercial insurance coverage has been purchased from various independent carriers to insure against such risks and minimize the Research Foundation's financial exposure to such risks.

The Research Foundation is not involved in any risk pools with other government entities.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

(11) Unit Repayments for the Cancer/Genetics Building:

In August 2003, the Research Foundation issued \$35,000,000 in tax-exempt Capital Improvement Revenue Bonds for the purpose of financing a portion of a genetics and cancer research facility on the campus of the University. The bonds were originally issued at a variable interest rate. In August 2004, the Research Foundation converted these bonds to fixed interest rates ranging from 2.125% to 5.125%, resulting in an overall effective rate of 4.56%. The bonds were secured by a general obligation of the Research Foundation revenues, or assets earned by the Research Foundation, and were expected to mature in 2034.

Per the Research Foundation Board's decision in the year ended June 30, 2013 to redeem the bonds as soon as they became eligible, the Research Foundation redeemed \$22,600,000 in the year ended June 30, 2014, and redeemed the remaining \$6,500,000 during the year ended June 30, 2015.

The Research Foundation will continue collecting \$2,300,000 annually from the University's College of Medicine, the Institute for Food and Agricultural Sciences, and the College of Liberal Arts and Sciences through fiscal year 2033. Included in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2020 and 2019 are \$2,300,000 in unit repayments per year for the Cancer/Genetics Building.

(12) Risks and Uncertainty – COVID-19:

During the year ended June 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending and investment markets have been substantially impacted. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. The Research Foundation cannot reasonably estimate the length or severity of this pandemic, and cannot anticipate the impact on its financial results or results of operations for future periods.

**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**

Board of Directors,
University of Florida Research Foundation, Inc.
Gainesville, Florida:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity of the University of Florida Research Foundation, Inc. (the Research Foundation), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements, and have issued our report thereon dated September 14, 2020.

Internal Control Over Financial Reporting

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

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

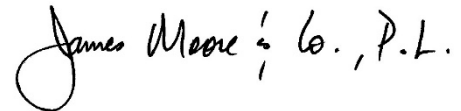
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Research Foundation'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida
September 14, 2020