

**INSTITUTE FOR COMMERCIALIZATION
OF PUBLIC RESEARCH, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

JUNE 30, 2014



DaszkalBolton LLP
ACCOUNTANTS & ADVISORS

TABLE OF CONTENTS

Independent Auditors' Report 1 – 2

Consolidated Financial Statements:

 Consolidated Statement of Financial Position..... 3

 Consolidated Statement of Activities 4

 Consolidated Statement of Functional Expenses 5

 Consolidated Statement of Cash Flows..... 6

Notes to Consolidated Financial Statements 7 – 23

Supplemental Schedule:

 Consolidated Schedule of Expenditures of State Financial Assistance 25

 Notes to the Consolidated Schedule of Expenditures of State Financial Assistance..... 26

Supplementary Information:

 Independent Auditors' Report
 on Internal Control over Financial Reporting and on Compliance and other Matters
 Based on an Audit of the Consolidated Financial Statements Performed in Accordance
 with Government Auditing Standards..... 28 – 29

 Independent Auditors' Report
 on Compliance with Requirements Applicable to each Major
 State Project and on Internal Control over Compliance in Accordance with
 Chapter 10.650, Ruled of the Auditor General of the State of Florida 30 – 31

 Schedule of Findings and Questioned Costs 32 – 33



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Institute for Commercialization of Public Research, Inc.
Boca Raton, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Institute for Commercialization of Public Research, Inc. (the "Institute"), a Florida nonprofit organization, which comprise the consolidated statement of financial position at June 30, 2014, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Institute at June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Boca Raton
2401 NW Boca Raton Boulevard
Boca Raton, FL 33431-6632
561-367-1040

Fort Lauderdale/Miami
490 Sawgrass Corporate Parkway, Suite 200
Sunrise, Florida 33325-6252
954-974-3544

Jupiter
4455 Military Trail, Suite 201
Jupiter, Florida 33458-4828
561-622-8920

Continued from previous page

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by Chapter 10.650 Rules of the Auditor General of the State of Florida, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated November 24, 2014, on our consideration of the Institute'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 Institute's internal control over financial reporting and compliance.

Coastal Capital LLP

Boca Raton, Florida
November 24, 2014

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS
JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash	\$ 483,008	\$ 322,336	\$ 3,018,025	\$ 3,823,369
Grant receivable	257,246	-	1,068,750	1,325,996
Prepaid expenses	<u>5,752</u>	<u>-</u>	<u>-</u>	<u>5,752</u>
Total current assets	<u>746,006</u>	<u>322,336</u>	<u>4,086,775</u>	<u>5,155,117</u>
Noncurrent assets:				
Seed funding loans and interest receivable	-	-	7,458,437	7,458,437
Convertible notes and interest receivable	-	-	865,600	865,600
Equity investments	-	-	800,000	800,000
Property and equipment, net	4,577	-	-	4,577
Deposits	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Total non current assets	<u>6,077</u>	<u>-</u>	<u>9,124,037</u>	<u>9,130,114</u>
Total assets	<u>\$ 752,083</u>	<u>\$ 322,336</u>	<u>\$ 13,210,812</u>	<u>\$ 14,285,231</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 412,110	\$ -	\$ 274	\$ 412,384
Deferred loan fees	<u>127,433</u>	<u>-</u>	<u>-</u>	<u>127,433</u>
Total current liabilities	<u>539,543</u>	<u>-</u>	<u>274</u>	<u>539,817</u>
Net assets	<u>212,540</u>	<u>322,336</u>	<u>13,210,538</u>	<u>13,745,414</u>
Total liabilities and net assets	<u>\$ 752,083</u>	<u>\$ 322,336</u>	<u>\$ 13,210,812</u>	<u>\$ 14,285,231</u>

See accompanying notes to the consolidated financial statements.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:				
State grants	\$ 1,225,000	\$ -	\$ 4,275,000	\$ 5,500,000
Contributions	105,750	-	-	105,750
Programs	5,359	350,000	-	355,359
Net assets released from restrictions	<u>531,021</u>	<u>(531,021)</u>	-	-
Total support revenue	<u>1,867,130</u>	<u>(181,021)</u>	<u>4,275,000</u>	<u>5,961,109</u>
Expenses:				
Program services	1,479,150	-	-	1,479,150
Support services	<u>408,867</u>	-	-	<u>408,867</u>
Total expenses	<u>1,888,017</u>	-	-	<u>1,888,017</u>
Change in net assets before other income	<u>(20,887)</u>	<u>(181,021)</u>	<u>4,275,000</u>	<u>4,073,092</u>
Other income (loss):				
Interest income	-	-	291,134	291,134
Fee income	82,237	-	-	82,237
Loss on disposal of fixed assets	<u>(1,169)</u>	-	-	<u>(1,169)</u>
Total other income	<u>81,068</u>	-	<u>291,134</u>	<u>372,202</u>
Change in net assets	60,181	(181,021)	4,566,134	4,445,294
Net assets, beginning of year	<u>152,359</u>	<u>503,357</u>	<u>8,644,404</u>	<u>9,300,120</u>
Net assets, end of year	<u>\$ 212,540</u>	<u>\$ 322,336</u>	<u>\$ 13,210,538</u>	<u>\$ 13,745,414</u>

See accompanying notes to the consolidated financial statements.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Support Services</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 1,087,398	\$ 271,849	\$ 1,359,247
Entrepreneur in Residence activity	181,130	-	181,130
Travel & Entertainment	35,044	8,761	43,805
Government relations	-	60,000	60,000
Rent	37,475	4,164	41,639
Advertising	8,298	2,075	10,373
Professional fees	77,162	43,821	120,983
Conferences and meetings	13,000	3,250	16,250
Office supplies	11,555	1,284	12,839
Miscellaneous	5,046	1,261	6,307
Telephone	5,580	1,395	6,975
Depreciation	4,054	450	4,504
Repairs and maintenance	527	59	586
Subscriptions	8,001	2,000	10,001
Postage & Printing	3,390	847	4,237
Bank & Merchant fees	1,490	373	1,863
Insurance	-	7,278	7,278
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,479,150</u>	<u>\$ 408,867</u>	<u>\$ 1,888,017</u>

See accompanying notes to the consolidated financial statements.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:	
Change in net assets	\$ 4,445,294
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	4,504
Noncash interest income	(291,134)
Loss on disposal of fixed assets	1,169
(Increases) decreases in operating assets:	
Equity investments	(800,000)
Grants receivable	(1,075,996)
Prepaid expenses	212
Seed funding loans	(1,800,999)
Convertible notes receivable	(857,500)
(Decreases) increases in operating liabilities:	
Accounts payable and accrued expenses	257,218
Deferred seed funding fee revenue	<u>13,225</u>
Total adjustments	<u>(4,549,301)</u>
Net cash used in operating activities	<u>(104,007)</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(1,966)</u>
Net cash used in investing activities	<u>(1,966)</u>
Cash flows from financing activities	<u>-</u>
Net decrease in cash	(105,973)
Cash at beginning of year	<u>3,929,342</u>
Cash at end of year	<u><u>\$ 3,823,369</u></u>

See accompanying notes to the consolidated financial statements.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND PURPOSE

The Institute for Commercialization of Public Research, Inc. (the “Institute”) is a nonprofit organization, organized as a corporation under the laws of the State of Florida on July 13, 2007 and amended and restated on June 3, 2009. Formed by the Florida Legislature in 2007, the Institute works with the technology licensing offices at Florida universities and research institutions to uncover commercially-viable technologies and create new innovation based products and companies. The Institute is a one-stop shop for investors and entrepreneurs who seek to identify new opportunities based on technologies developed through publicly-funded research. The Institute facilitates new venture creation through technologies in major industries that are driving the global economy, including clean energy, life science, information technology, aviation and aerospace, homeland security, and other sectors.

In 2011, the Institute was entrusted with \$10 million to establish the Seed Capital Accelerator Program (“SCAP”) to fill early funding gaps by providing financing to qualified early stage companies, and to continue to support business applications for commercialization support.

The Florida Senate passed House Bill 705 (“HB 705”) and was approved by the Governor on July 1, 2013. HB 705 authorized the Institute to create a corporate subsidiary, the Florida Technology Seed Capital Fund, LLC (the “Fund”).

On September 11, 2013, the Fund was established as a limited liability company organized as a corporation under the laws of the State of Florida. The purpose of the Fund is to foster greater private sector investment funding, to encourage seed-stage investments in start-up companies, and to advise companies on how to restructure existing management, operation, or production to attract advantageous business opportunities. The proceeds of a sale of investments held by the Fund will be retained by the Fund and used for reinvestment.

The Institute and the Fund (collectively, the “Organization”) implements seed funding programs with investment horizons that span three (3) to seven (7) years.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization. Since the Institute has both control and economic interest in the Fund, the financial statements of the Fund have been included in these consolidated financial statements. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting and in conformity with account principles generally accepted in the United States of America (“GAAP”). Revenues are reported as increases in unrestricted net assets, unless there are donor imposed purposes and/or time restrictions on the assets. Expenses are reported as decreases in unrestricted net assets. Gains or losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expenditures of funds received through government grants from the State of Florida are recorded as support services expenses when performance occurs under the terms of the grant agreements.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions. The three net asset categories are reflected in the accompanying financial statements as follows:

Unrestricted Net Assets – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purpose by the actions of the Board of Directors.

Temporarily Restricted Net Assets – subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Directors or become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – subject to donor-imposed stipulations that are to be maintained indefinitely.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

All contributions and grants are considered available for the Organization's general programs unless specifically restricted by the donor or grantor. Amounts received that are designated for future periods or restricted by the donor or grantor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Institute

SCAP

In September 2011, the Institute was awarded one (1) grant from the Department of Economic Opportunity of State of Florida ("DEO") in nonrecurring funds in the amount of \$10,000,000 under SCAP, a performance based funding program. The purpose of the SCAP is to support job creation in the State of Florida. The terms of the SCAP agreement are subject to the availability of funds, legislative appropriations and/or statutory changes. Under the grant, \$8,500,000 was allocated for purposes of a seed capital loan program, which provides seed funding up to \$300,000 for each qualified applicant. The balance of \$1,500,000 was assigned to support operations and other relevant Institute programs. Revenue from the grant was deemed to be fully earned and recognized in the statement of activities during the year ended June 30, 2012.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Institute, continued

SCAP, continued

During June 2012, the Institute and the DEO entered into an amendment (“Amendment One”) to the original SCAP agreement. According to the terms of Amendment One, the SCAP was extended until June 30, 2013, and the Institute was appropriated \$1,000,000 in nonrecurring funds from the Florida's General Revenue Fund for administration of SCAP and support of the Institute's operations and other relevant programs. Revenue from the grant was deemed to be fully earned and recognized in the statement of activities during the year ended June 30, 2013.

Fund

The Fund was awarded \$5,500,000 from the DEO for the period from July 1, 2013 to June 30, 2016, of which \$4,500,000 was allocated to the Fund and \$1,000,000 was allocated to the Institute for administration. Under this award, the Fund is responsible to process business applications for commercialization and to provide \$50,000 to \$300,000 of seed funding investments to qualifying companies with a one-to-one private sector match, with additional investment funding of up to \$200,000 with a two-for-one private sector match required for follow-on investments, cumulative not to exceed \$500,000.

The Fund may invest in the following securities:

- A convertible note, generally with a three (3) year maturity that provides for mandatory conversion into an equity security.
- A note with warrants, with the loan repaid at or before maturity and warrants to purchase the common stock of the company.
- If a qualifying company has matching funds in the form of equity, the Fund may invest for equity under the same terms.

Cash and Cash Equivalents

The Organization considers highly liquid investments with original maturities of three (3) months or less to be cash equivalents. The Organization held no cash equivalents at June 30, 2014. The Organization maintains its cash in interest and non-interest bearing bank accounts at one (1) financial institution which, at times, may exceed Federal Deposit Insurance Corporation (“FDIC”) limits. Terms of the grant agreements require the funds to be segregated from other organizational funds and held in interest bearing accounts. Interest earned on the interest bearing account is periodically returned to the DEO in accordance with the terms of the grant agreements.

Temporarily and permanently restricted cash is held solely for disbursements to qualified grant recipients under the grant agreements.

Grants Receivable

The grant receivable balance at June 30, 2014 represents uncollected funds from the DEO grant under Amendment Number One that was awarded during the year.

Therefore, no allowance for potentially uncollectible grants receivable is provided.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Seed Funding Loans and Interest Receivable

Seed funding loans receivable are comprised of five (5) year-term loans issued to qualified applicants under SCAP. Loans are stated at their unpaid principal balances and accrue interest at a fixed annual rate equaling to 2.5% plus the effective interest rate on the 10-year U.S. Treasury Bond as of the date of the first advance of the loan. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal balance amounts outstanding. Both principal and accrued interest on the loans are due at maturity.

Loans are considered to be impaired if full principal or accrued interest are not expected to be received in accordance with the contractual terms due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons. Impaired loans are placed on nonaccrual status, and any accrued interest previously accrued is charged off or an allowance is established by a charge to interest income. At June 30, 2014, all loans are considered to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Convertible Notes and Interest Receivable

Convertible notes receivable are comprised of three (3) to five (5) year-term loans issued to qualified applicants. Convertible notes are stated at their unpaid principal balances and accrue interest at a fixed annual rate equaling to 4.0% plus the effective interest rate on the 10-year U.S. Treasury Bond as of the date of the first advance of the note. Interest on convertible notes is recognized over the term of the convertible note and is calculated using the simple-interest method on principal balance amounts outstanding. Both principal and accrued interests on the convertible notes are due at maturity.

Convertible notes are considered to be impaired if full principal or accrued interest are not expected to be received in accordance with the contractual terms due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons. Impaired convertible notes are placed on nonaccrual status, and any accrued interest previously accrued is charged off or an allowance is established by a charge to interest income. At June 30, 2014, all convertible notes are considered to be fully collectible and, accordingly, no impairment or placement to nonaccrual status is considered necessary.

Deferred Loan Fees

Loan origination fees are deferred and amortized on a straight-line basis, over the lives of the related loans. Amortization of deferred loan fees would be discontinued if a loan is placed on nonaccrual status. The unamortized loan fees would be written-off if the related loan were written-off.

Property and Equipment

Property and equipment is stated at cost. Purchases greater than \$500 and with a useful life in excess of one (1) year are capitalized. Maintenance and repair costs are expensed as incurred. Depreciation is computed using the straight line method over the estimated useful life of three (3) to five (5) years.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Income Taxes

The Institute is a non-profit corporation which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, accordingly, generally would not incur income taxes. The Fund is a single member limited liability company and its results are included in the Institutes tax filings. As a result, the consolidated financial statements do not reflect a provision for income taxes.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of the year. At June 30, 2014, the Organization has no liabilities for uncertain tax positions. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The U.S. Federal jurisdiction is the major tax jurisdiction where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal examinations by tax authorities for fiscal years before 2010.

Classification of Expenses

The costs of providing the program and other activities of the Organization have been summarized in the accompanying consolidated statement of activities on a functional basis. Accordingly, certain costs have been allocated among the program and support services benefited. Indirect salaries and related expenses have been allocated based on the function of the staff across the departments and all other indirect expenses consisting of insurance, supplies, utilities, and others have been allocated based on predetermined allocation percentages, related to the departments benefited.

Date of Management's Review

The Organization evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through November 24, 2014, the date the consolidated financial statements were available to be issued.

NOTE 3 – EQUITY INVESTMENTS

The investments consist of common stock and member units which are not publicly traded.

Equity investments consist of the following at June 30:

	<u>Type</u>	<u>2014</u>
Company i	Common Stock	\$ 200,000
Company ii	Common Stock	300,000
Company iii	Class A Member Units	300,000
		<u>\$ 800,000</u>

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – EQUITY INVESTMENTS, CONTINUED

Company i, is an early-stage Gainesville-based company, with technology developed at the University of Florida, which develops digital interactive, clinical experiences for medical, nursing and allied health education programs. Company i, has a loan under the SCAP program. (See Company 2 in Note 6)

Company ii, is a Windermere-based company based on technology developed at Florida Atlantic University that provides integrated point-of-sale software for merchants to provide enhanced email receipts to customers, as well as a complementary mobile-enabled receipt portal application for consumers to manage all of their receipts. The company also plans to serve aggregated marketing data gathered from the receipts as market and demographic information to subscribed merchants.

Company iii, is a Newberry-based company based on technology developed at the University of Florida that is developing a medicinal beverage that is an amino acid-based, non-sugar beverage formulated to prevent and remedy dehydration and related symptoms associated with the treatment of life threatening or chronic illnesses such as cancer, as well as acute and chronic diseases of the bowel.

NOTE 4 – FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs at amortized cost, which approximates fair value.

NOTE 4 – FAIR VALUE MEASUREMENTS, CONTINUED

There are three acceptable techniques that can be used to measure fair value: the market approach, the income approach and the cost approach. Selection of the appropriate technique for valuing a particular asset requires consideration of the exit market, the nature of the asset and how a market participant would value the same asset. Ultimately, determination of the appropriate valuation method requires significant judgment. Due to the inherent uncertainty of valuation, estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Valuation inputs refer to the assumptions market participants would use in pricing a given asset or liability. Inputs can be observable or unobservable. Observable inputs are assumptions that are based on market data and obtained from independent sources. Unobservable inputs are assumptions based on the Organization's own information or assessment of assumptions used by other market participants in pricing the asset. Unobservable inputs are based on the best and most current information available on the measurement date.

All inputs, whether observable or unobservable, are ranked in accordance with a prescribed fair value hierarchy that gives the highest ranking to quoted prices in active markets for identical assets (Level 1) and the lowest ranking to unobservable inputs (Level 3). Fair values for assets classified as Level 2 are based on one or a combination of the following factors: (a) quoted prices for similar assets; (b) observable inputs for the assets; or (c) inputs derived principally from, or corroborated by, observable market data. The level within the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2014, the Fund has investments in early stage; non-publicly traded companies which are carried at fair value. In general, such fair value initially is considered cost until an "event" occurs. Such events would include further financing by the Fund (or a third party), significant changes in the financial position or commencement of operating results of the investment. If the investment's performance and potential have deteriorated, the investment value would be written down.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – FAIR VALUE MEASUREMENTS, CONTINUED

The following table represents the Organization's financial instruments measured at fair value on a recurring basis at June 30, 2014 for each of the fair value hierarchy levels:

Fair Value	Fair Value Measurements at June 30, 2014		
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
\$ 200,000	\$ -	\$ -	\$ 200,000
300,000	-	-	300,000
300,000	-	-	300,000
<u>\$ 800,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800,000</u>

Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been realized had a ready market for the investments existed, and the differences could be material.

The following table shows the change in the fair value of the Level 3 assets for the year ended June 30, 2014. An asset is classified as Level 3 if unobservable inputs are significant relative to the overall fair value measurement of the asset.

Changes in Level 3 assets measured at fair value for the year ended June 30 are as follows:

	2014
June 30, 2013	\$ -
Realized gains or (losses)	-
Unrealized gains or (losses)	-
Purchases, issuance, and settlements	800,000
Transfers in and/or out of Level 3	-
June 30, 2014	<u>\$ 800,000</u>

NOTE 5 – GRANTS RECEIVABLE

The unrestricted grant receivable represents DEO amounts due to the Institute for administration of the Fund and support of the Institutions operations.

The temporarily restricted grant receivable represents DEO amount due to the Fund to invest in seed stage investments in start-up companies.

There was no permanently restricted grants receivable at June 30, 2014.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – SEED FUNDING LOANS RECEIVABLE

Seed funding loans receivable consists of the following SCAP loans at June 30, 2014:

<u>Recipient</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Loan Principal</u>	<u>Accrued Interest</u>	<u>Deferred Loan Fees</u>
Company 1	11/02/11	11/02/16	4.625%	\$ 300,000	\$ 36,848	\$ 3,510
Company 2	11/17/11	11/17/16	4.500%	280,000	32,946	3,333
Company 3	04/26/12	04/26/17	4.500%	300,000	29,361	4,233
Company 4	05/10/12	05/10/17	4.500%	100,000	9,615	1,430
Company 5	05/24/12	05/24/17	4.250%	300,000	26,754	4,348
Company 6	08/29/12	08/29/17	4.150%	300,000	22,825	4,747
Company 7	10/26/12	10/26/17	4.125%	300,000	20,726	4,985
Company 4	10/16/12	10/16/17	4.500%	200,000	15,344	3,296
Company 8	11/02/12	11/02/17	4.125%	300,000	20,490	5,014
Company 9	11/16/12	11/16/17	4.125%	300,000	20,016	5,071
Company 10	12/31/12	12/31/17	4.250%	300,000	20,062	5,256
Company 11	01/29/13	01/29/18	4.125%	300,000	17,514	5,375
Company 12	02/25/13	02/25/18	4.500%	300,000	18,074	5,486
Company 13	04/17/13	04/17/18	4.500%	300,000	15,934	5,696
Company 14	04/26/13	04/26/18	4.500%	300,000	15,898	5,733
Company 15	05/02/13	05/02/18	4.500%	300,000	15,676	5,758
Company 16	05/10/13	05/10/18	4.250%	150,000	7,263	2,895
Company 17	06/07/13	06/07/18	4.250%	300,000	13,551	5,905
Company 18	06/27/13	06/27/18	4.250%	300,000	12,855	5,988
Company 29	07/26/13	07/26/18	4.250%	300,000	11,842	6,107
Company 20	08/30/13	08/30/18	5.000%	225,000	9,370	4,688
Company 21	09/13/13	09/13/18	5.000%	50,000	1,986	1,051
Company 16	09/30/13	05/10/18	5.000%	76,000	2,832	1,616
Company 22	11/20/13	11/20/18	5.250%	300,000	9,579	6,588
Company 20	12/04/13	08/30/18	5.000%	75,000	2,137	1,661
Company 23	12/06/13	12/06/18	5.250%	300,000	8,889	6,652
Company 24	12/30/13	12/30/18	5.250%	149,999	3,927	3,376
Company 25	01/15/14	01/15/19	5.250%	124,999	2,967	2,841
Company 26	03/26/14	03/26/19	5.250%	50,000	1,359	1,184
Company 24	04/23/14	12/30/18	5.250%	150,001	798	3,610
				<u>\$ 7,030,999</u>	<u>\$ 427,438</u>	<u>\$ 127,433</u>

Company 1 is an early-stage Orlando-based company, with technology developed at the University of Florida, which develops nanomaterial for next generation video displays, solar cells, and a range of other photoelectric devices.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – SEED FUNDING LOANS RECEIVABLE, CONTINUED

Company 2 is an early-stage Gainesville-based company, with technology developed at the University of Florida, which develops digital interactive, clinical experiences for medical, nursing and allied health education programs.

Company 3 is an early-stage Ocala-based technology company, with technology developed at the University of Florida, which has developed a specialized Internet marketing platform for small service providers. The platform facilitates the ease in which people can search for and purchase services over the Internet, and initially plans to target Florida's online adventure tourism market.

Company 4 is a Jupiter-based company, with technology developed at Moffitt Cancer Center, which is developing treatments for cancer and other proliferative diseases wherein cells grow or multiply rapidly. Its initial therapeutics are expected to aid in the treatment of a wide variety of cancers with potentially greater efficacy and significantly fewer side effects than existing therapies in the anti-cancer market.

Company 5 is an early-stage Gainesville-based company, with technology developed at the University of Florida, which has developed a patented technology platform of ultra-low power wireless integrated circuits, innovative combinations of sensor and self-powering circuits, and specialized materials to deliver low-cost, short-range wireless sensors and readers.

Company 6 is a Miami-based clinical stage company, with technology developed at the University of South Florida, which discovers and develops therapies derived from natural products to address significant unmet needs in epilepsy and related neurological diseases. The company also is developing a number of other novel classes of small molecule compounds focused on neurological disease applications.

Company 7 is an early-stage Gainesville-based company, with technology developed at the University of Florida, which is engaged in advancing the commercial development of a novel drug compound targeting pancreatic cancer.

Company 8 is a Gainesville-based company, with technology developed at the University of Florida, that provides comprehensive sales and marketing management systems that allow businesses to track and optimize every aspect of the sales cycle from lead to close, and is specifically designed for the Small - Medium Business (SMB) market.

Company 9 is an early-stage Tampa-based company, with research conducted at the University of South Florida, which is engaged in development and commercialization of advanced platform polymer technology.

Company 10 is an early-stage Miami-based biotechnology company, with technology developed at the University of Miami, focused on providing non-invasive, genomic-based, clinical diagnostic tests for patients with heart failure.

Company 11 is an early-stage Tampa-based pharmaceutical company, with technology developed at Moffitt Cancer Center, which is dedicated to the development of novel treatments for multiple myeloma. The company is developing MTI-101, a drug with a novel, first in class mechanism of action for myeloma, an incurable blood cancer.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – SEED FUNDING LOANS RECEIVABLE, CONTINUED

Company 12 is a seed-stage Tallahassee-based company that, with technology developed at Florida State University, addresses the mild traumatic brain injury (mTBI) market. The company is formulating therapeutics for nasal delivery to ease use in the field and to maximize delivery to the brain.

Company 13 is a Tallahassee-based company that, with technology developed at Florida State University, is creating a more commercially viable fuel cell which incorporates a thin membrane composed of carbon nanotubes, reducing the need for expensive platinum that, until now, has made fuel cells too expensive to be widely marketed.

Company 14 is an early-stage Orlando-based company that, with technology developed at the University of Central Florida, focuses on developing low-cost, low-weight and high-strength materials without sacrificing critical features such as product durability, efficiency and performance.

Company 15 is a Gainesville-based company that, with technology developed at the Institute for Human and Machine Cognition, provides a learning enrichment program designed to help children improve motor skills, language, and information processing.

Company 16 is a Tallahassee-based company that, with technology developed at Florida State University, produces diagnostic kits and reagents that detect viral and allergenic proteins for food safety and infectious disease markets.

Company 17 is an early-stage Miami-based pharmaceutical company that, with technology developed at the University of Miami, is discovering and developing novel therapies based on growth hormone-releasing hormone (GHRH) analogs.

Company 18 is an early-stage Boca Raton-based company, with technology developed at the University of South Florida, which is developing advanced speculum solutions that enable improved cervical examinations and improve patient outcomes.

Company 19 is Miami-based company that, with technology developed at the University of Miami, offers an effective, non-invasive and low-cost point-of-care oral rinse test strip to be used as an adjunctive screening test for oral cancer (i.e. head and neck squamous cell carcinoma – HNSCC) prior to observation of visual symptoms.

Company 20 is a Gainesville-based company, founded in 2012, that has developed the LaborView™ sensor system that measures labor contractions as well as maternal and fetal heart rates. LaborView™, based on technology jointly developed by the University of Florida and Convergent Engineering, is an advanced, wireless electronic maternal-fetal monitor that, upon FDA clearance, will provide an advanced alternative to the current external sensors with a reliable and comfortable system to enable safer and more cost-effective obstetric monitoring with greater patient satisfaction.

Company 21 is a St. Petersburg-based company that, with technology created at the University of South Florida, is developing a platform for water analysis which provides real-time physical, chemical and biological characteristics of water resources.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – SEED FUNDING LOANS RECEIVABLE, CONTINUED

Company 22 is a Gainesville based company with technology developed at the University of Florida that is converting consumer off-the-shelf depth cameras into powerful 3D mapping systems. Their software allows users to scan a space using commercially available cameras, upload their data to the company's cloud infrastructure, which converts the raw scan to a CAD file and download their model for use in the consumer's 3D CAD/Modeling tool of choice.

Company 23 is an Orlando based startup company with technology developed at the University of Florida that provides a combined mobile app for students, faculty, staff and visitors and software-as-a-service method for immediate notification of emergency services on university campuses.

Company 24 is a Gainesville based startup company with technology developed at the University of Florida, that offers a non-contact, continuous vital signs monitoring device for equine heartbeat, respiration and temperature that will eliminate dangerous stress caused by intrusive contact monitoring, reduce response time for animals in distress, provide better tracking systems and lower the cost of animal care.

Company 25 is an Orlando based company with technology developed at the University of Florida which conducts market research that turns static consumer segmentation and shopper marketing studies into a web application that continuously tracks changes in consumer segments including in-store consumer location.

Company 26 is a Miami-based company with technology developed at the University of Miami. The company is capitalizing on patented bio-technology designed to optimize stem cell treatments for cardiovascular disease. The company's founder and his team in association with the University of Miami Florida have developed procedures for regulating human growth factors within stem cells or host tissues, and bio-engineering stem cells to provide an optimized therapy for ischemia related disease. The company is currently raising additional private investment capital to advance product development and testing.

The seed funding loans receivable under SCAP are non-collateralized, with principal and related accrued interest on the loans due at maturity.

NOTE 7 – CONVERTIBLE NOTES RECEIVABLE

Convertible notes receivable consist of the following notes at June 30, 2014:

<u>Recipient</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Loan Principal</u>	<u>Accrued Interest</u>
Company I	03/14/14	03/14/19	8.000%	\$ 200,000	\$ 4,734
Company II	05/20/14	05/20/17	6.500%	300,000	2,190
Company III	06/06/14	06/06/17	6.500%	157,500	673
Company IV	06/16/14	06/16/17	6.540%	200,000	502
				<u>\$ 857,500</u>	<u>\$ 8,099</u>

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – CONVERTIBLE NOTES RECEIVABLE, CONTINUED

Company I is an early-stage Gainesville-based company, with technology developed at the University of Florida, which has developed a patented technology platform of ultra-low power wireless integrated circuits, innovative combinations of sensor and self-powering circuits, and specialized materials to deliver low-cost, short-range wireless sensors and readers. Company I, also has a loan under the SCAP program. (Company 5 in Note 6)

Company II is a Gainesville-based company based on technology developed at the University of Florida that has unique payload packages designed for unmanned aerial vehicles for accurate geographic mapping, agricultural surveys, civil surveys for government agencies and prime contractors. The company has licensed technology from UF for flight plan algorithms that allow the company's products to provide autonomous flight surveys.

Company III is a Gainesville-based company based on technology developed at the University of Florida that provides monitoring and tracking solutions to improve the operations of businesses that rely on perishable supply chains. The company has developed Bluetooth-enabled wireless sensor tags and seamless communication software to help managers accurately monitor perishable products.

Company IV is a Miami-based startup company with technology developed at the University of Miami that offers an effective, non-invasive and low-cost point-of-care oral rinse test strip to be used as an adjunctive screening test for oral cancer (i.e. head and neck squamous cell carcinoma - HNSCC) prior to observation of visual symptoms. Company IV also has a loan under SCAP program. (Company 19 in Note 6)

NOTE 8 – CREDIT QUALITY OF RECEIVABLES

The Organization's seed funding and convertible loans receivable are from start-up and early stage companies that do not have positive cash flows. The Organization collects quarterly reports from the companies it funds to monitor and assess company activity and risks in order to take corrective action if needed, taking into consideration the seed investment horizon span of three (3) to seven (7) years.

The internal risk ratings are as follows:

<u>Internal Risk Rating</u>	<u>Description of Creditworthiness</u>
Acceptable	Receivable is of the highest quality and shows no indication of collectability problems.
Special mention	Receivable has a potential weakness that deserves management's close attention. If the potential weakness remains uncorrected, it may result in collectability problems at some point in the future.
Substandard	Due to the nature of the start-up and early stage funding activities, the receivables have a defined weakness(es) and are inadequately protected by the current net worth, paying capacity of the borrower or other factors. There is a reasonable possibility that the Institute will sustain some losses.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 – CREDIT QUALITY OF RECEIVABLES, CONTINUED

The recorded loans and notes receivable by credit quality indicator at June 30, 2014 are as follows:

<u>Internal Risk Rating</u>	<u>Loans and Interest Receivable</u>	<u>Notes and Interest Receivable</u>
Acceptable	\$ -	\$ -
Special mention	-	-
Substandard	7,458,437	865,600
	<u>\$ 7,458,437</u>	<u>\$ 865,600</u>

Management has rated the credit quality of its loans and notes receivable as substandard, as the debtors are comprised of start-up, development stage entities that have not yet commenced substantive operations. Qualifications of the loan and note recipients were based on, among other things, the qualitative attributes of the applicant's in-process technology, and the applicant's ability to support job creation in the State of Florida.

Management has monitored the information used to internally rate the receivable through November 24, 2014, the date the consolidated financial statements were available to be issued.

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014:

Computer equipment	\$ 10,784
Leasehold improvements	1,966
	<u>12,750</u>
Less: accumulated depreciation	(8,173)
	<u>\$ 4,577</u>

Depreciation expense amounted to \$4,504 for the year ended June 30, 2014.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases office space at the Tampa Bay Technology Incubator at the University of South Florida on a month-to-month basis. Monthly rent under the agreement is \$400.

The Organization leases office space at the Florida Innovation Hub at the University of Florida under a lease agreement through October 31, 2013. On September 18, 2013, the Institute amended its lease, the amended lease commences on November 1, 2013 and ends on October 31, 2014. Monthly rent under the amended agreement is \$1,556.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – COMMITMENTS AND CONTINGENCIES, CONTINUED

The Organization leases office space at Florida Atlantic Research and Development Park under two (2) separate lease agreements.

Agreement 1 is on a month-to-month basis not to exceed twenty-four (24) months through June 2016. Monthly rent under the agreement is \$530.

Agreement 2 is on a month-to-month basis not to exceed forty-eight (48) months through September 2017. Monthly rent under the agreement is \$1,092.

Rent expense incurred in 2014 for all leases totaled \$41,639.

NOTE 11 – CONCENTRATIONS

Cash

The Organization maintains its cash in bank deposit accounts with one financial institution, which at times, may exceed FDIC limits of \$250,000.

At June 30, 2014, the Organization's bank balances exceeded FDIC limits by \$3,334,727. The Organization maintains its funds with a high quality financial institution which management believes limits their risk. To date, the Institute has not experienced any losses on such accounts.

Grant Revenue

During the year ended June 30, 2014, 100% of the Organization's grant revenue was provided by the Florida state legislature. Given the nature of the legislative process and current budget shortfalls, there are no guarantees that future grants for the Organization's programs will be made available.

NOTE 12 – CONFLICT OF INTEREST POLICY

It is the policy of the Organization that all officers, directors and committee members shall avoid any conflict between their own individual interests and the interests of the Institute and Fund. Included among the Organization's directors and members are volunteers from the financial, medical and education community, who provide valuable assistance to the Organization in the development of policies and programs and in the evaluation of grants. The Organization has a conflict-of-interest policy whereby board and committee members must advise the Board of any direct and indirect interest in any transaction or relationship with the Organization and not participate in discussions and decisions regarding any action affecting their individual, professional, or business interests.

The Vice-Chairman of the Board of Directors of the Organization serves as a Director of the Office of Technology Licensing at the University of Florida ("UF").

NOTE 13 – RELATED PARTY TRANSACTIONS

During January 2012, the Institute engaged UF to provide personnel employment services to the Organization at cost. During July 2013, the Institute renewed the agreement for twelve (12) months with UF to provide all staffing services to maintain the Institute. The costs of these services equaled \$1,359,247 and are included in the salaries and benefits expense category for the program services in the statement of functional expenses.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – RELATED PARTY TRANSACTIONS, CONTINUED

In 2014, the Institute paid \$50,000 to Florida Angel Nexus, Inc. (“FAN”) to help support the salary of FAN’s Executive Director. The CEO of the Organization is the interim President and a Director of FAN.

NOTE 14 – SUBSEQUENT EVENTS

In July 2014, the Institute awarded a 5-year seed funding loan in the amount of \$300,000 to a Winter Park based startup company with technology developed at the University of Florida that produces a biopolymer extraction from sugarcane bagasse, which results in a bio-renewable, water-degradable plastic product for short term uses. The loan bears interest at an annual rate of 5.0%.

In July 2014, the Institute awarded a 5-year seed funding loan in the amount of \$300,000 to a Delray Beach based company with technology developed at Florida State University that created the Pacifier activated Lullaby (PAL®), a patented, FDA-approved system that teaches premature infants to suck productively and feed successfully. The loan bears interest at an annual rate of 5.0%.

In July 2014, the Fund issued a 3-year convertible note in the amount of \$300,000 to a Miami-based company based on technology developed at the University of Miami that is an emerging specialty pharmaceutical company focused on developing treatments for the management of excessive bleeding. The note bears interest at an annual rate of 6.5%.

In August 2014, the Institute awarded a 5-year seed funding loan in the amount of \$300,000 to a company based on technology developed at the University of Florida that produces energy efficient plasma accelerators for aftermarket installation on open refrigeration which reduces airflow of refrigerated air into surrounding ambient spaces. The loan bears interest at an annual rate of 4.875%.

In August 2014, the Institute amended its agreement with Company 25 and awarded an additional 5-year seed funding loan in the amount of \$75,000 which matures on January 15, 2019. The loan bears interest at an annual rate of 5.25%.

In August 2014, the Institute amended its agreement with Company 26 and awarded an additional 5-year seed funding loan in the amount of \$250,000 which matures on March 26, 2019. The loan bears interest at an annual rate of 5.25%.

In August 2014, Company 8 repaid its loan in full with accrued interest to the Institute.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – COMPANY CROSS REFERENCES

Note 3 - Equity Investments

Company i	Shadow Health
Company ii	flexReceipts
Company iii	Enterade USA

Note 6 - Seed Funding Loans Receivable

Company 1	NanoPhotonica
Company 2	Shadow Health
Company 3	Ocoos/Advanced Trav
Company 4	GLG Pharma
Company 5	eTect
Company 6	Insero Health
Company 7	Sun BioPharma
Company 8	SharpSpring
Company 9	KeriCure
Company 10	Heart Genomics
Company 11	Modulation Therapeutics
Company 12	Prevacus
Company 13	Bing Energy
Company 14	Garmor
Company 15	NeuroNet Learning
Company 16	BioFront Technologies
Company 17	Biscayne Pharmaceuticals
Company 18	Clear Spec
Company 19	Vigilant Biosciences
Company 20	OB Medical Company
Company 21	Spyglass Technologies
Company 22	Paracosm
Company 23	TapShield
Company 24	TruVitals
Company 25	Coefficient
Company 26	Integene

Note 7 - Convertible Notes Receivable

Company I	eTect
Company II	Altavian
Company III	Comm-N-Sense
Company IV	Vigilant Biosciences

SUPPLEMENTAL SCHEDULE

**INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014**

<u>State Grantor, Pass-Through Entity, State Project Title</u>	<u>CFSA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
State of Florida Department of Economic Opportunity (DEO)			
General Revenue:			
Institute for the Commercialization of Public Research	40.003	SB14-002	\$ 1,882,500
Economic Enhancement and Development Trust Fund Trust Fund:			
Institute for the Commercialization of Public Research	40.003	SB14-002	1,000,000
Indirect Programs:			
Pass-through Enterprise Florida, Inc.			
Florida Research Commercialization Matching Grant Program	31.003	CFA 11-01	<u>6,519</u>
Total Expenditures of State Financial Assistance			<u>\$ 2,889,019</u>

See notes to the consolidated schedule of expenditures of state financial assistance.

INSTITUTE FOR COMMERCIALIZATION OF PUBLIC RESEARCH, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, Rules of the Auditor General, and the Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

None of the state expenditures presented in the accompanying schedule of expenditures of state financial assistance was provided to subrecipients.

SUPPLEMENTARY INFORMATION



DaszkalBolton LLP

ACCOUNTANTS & ADVISORS

**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**

To the Board of Directors
Institute for Commercialization of Public Research, Inc.
Boca Raton, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Institute for Commercialization of Public Research, Inc. (the "Institute"), a Florida nonprofit organization, which comprise the consolidated statement of financial position at June 30, 2014, and the related consolidated statement of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Institute's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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*.

Boca Raton
2401 NW Boca Raton Boulevard
Boca Raton, FL 33431-6632
561-367-1040

Fort Lauderdale/Miami
490 Sawgrass Corporate Parkway, Suite 200
Sunrise, Florida 33325-6252
954-974-3544

Jupiter
4455 Military Trail, Suite 201
Jupiter, Florida 33458-4828
561-622-8920

Continued from previous page

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 Institute'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caoytal Calyon LLP

Boca Raton, Florida
November 24, 2014



DaszkalBolton LLP

ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED IN ACCORDANCE WITH CHAPTER 10.650, RULED OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors
Institute for Commercialization of Public Research, Inc.
Boca Raton, Florida

Report on Compliance

We have audited the Institute for Commercialization of Public Research, Inc. (the "Institute") compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of its major State projects for the year ended June 30, 2014. The Institute's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Institute's major State projects based on our audit of the types of compliance requirements referred to above. 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 Chapter 10.650, Rules of the Auditor General. Those standards and Chapter 10.650, Rules of the Auditor General, 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 State project occurred. An audit includes examining, on a test basis, evidence about the Institute'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 on compliance for each major State project. However, our audit does not provide a legal determination of the Institute's compliance.

Opinion on Each Major State Project

In our opinion, the Institute complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Institute is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Institute's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, Rules of the Auditor General, 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 the Institute's internal control over compliance.

Boca Raton
2401 NW Boca Raton Boulevard
Boca Raton, FL 33431-6632
561-367-1040

Fort Lauderdale/Miami
490 Sawgrass Corporate Parkway, Suite 200
Sunrise, Florida 33325-6252
954-974-3544

Jupiter
4455 Military Trail, Suite 201
Jupiter, Florida 33458-4828
561-622-8920

Continued from previous page

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Wagtail Capital LLP

Boca Raton, Florida
November 24, 2014

**INSTITUTE FOR THE COMMERCIALIZATION OF PUBLIC RESEARCH
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2014**

I. SUMMARY OF AUDITOR'S REPORT

Financial Statements

- A. Type of auditor's report issued: Unqualified Opinion
- B. Internal controls over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X No
- C. Noncompliance material to financial statements noted? _____ Yes X No

State Projects

- D. Type of auditor's report issued on compliance for major state projects: Unqualified Opinion
- E. Internal control over major projects:
- Material weakness(es) identified? _____ Yes X No
 - Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X No
- F. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General of the State of Florida? _____ Yes X No
- G. Identification of major programs:

State Projects

<u>CSFA Number</u>	<u>Name of Major State Project</u>
40.003	Seed Capital Accelerator Loan Program

- H. Dollar threshold used to distinguish between type A and type B state projects \$ 300,000
- I. Auditee qualified as low-risk auditee? _____ Yes X No

II. FINANCIAL STATEMENT FINDINGS

- A. Internal Control Reporting
None reported.
- B. Compliance
None reported.

**INSTITUTE FOR THE COMMERCIALIZATION OF PUBLIC RESEARCH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014**

III. STATE PROJECTS FINDINGS AND QUESTIONED COSTS

A. Internal Control Reporting

None reported.

B. Compliance

None reported.

IV. MANAGEMENT LETTER

None required. There were no findings related to State projects required to be reported in accordance with Chapter 10.650, Rules of the Auditor General of the State of Florida.

V. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None required. There were no prior audit findings related to State projects required to be reported in accordance with Chapter 10.650, Rules of the Auditor General of the State of Florida.

VI. CORRECTIVE ACTION PLAN

None required. There were no findings related to State projects required to be reported in accordance with Chapter 10.650, Rules of the Auditor General of the State of Florida.