

**VACCINE AND GENE THERAPY
INSTITUTE OF FLORIDA CORP. AND
AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND
COMPLIANCE REPORTS

As of and for the Year Ended June 30, 2014

And Reports of Independent Auditor

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
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Report of Independent Auditor

To the Board of Directors of
Vaccine and Gene Therapy Institute of Florida Corp. and Affiliate
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Vaccine and Gene Therapy Institute of Florida Corp. (a nonprofit organization) and Affiliate ("VGTI"), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 financial statements referred to above present fairly, in all material respects, the financial position of VGTI as of 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.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that VGTI will continue as a going concern. As discussed in Note 12 to the financial statements, VGTI has suffered reoccurring cash flow losses from operations that raise substantial doubt about VGTI's ability to continue as a going concern. Management's plans regarding this matter also is described in Note 12. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Other Matters**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations* and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, is also presented for purposes of additional analysis 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 have also issued our report dated November 10, 2014 on our consideration of the VGTI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the VGTI's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
November 10, 2014

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

Cash and cash equivalents:

| | |
|--------------------|--------------|
| Cash | \$ 4,318,258 |
| Money market funds | 6,212,108 |

Receivables:

| | |
|----------------------|-----------|
| Grants and contracts | 2,705,542 |
| Other | 56,685 |

| | |
|------------------------|---------|
| Due from related party | 100,000 |
|------------------------|---------|

| | |
|------------------------------|-----------|
| Cash held in escrow (Note 4) | 4,146,530 |
|------------------------------|-----------|

| | |
|-----------------------------------|---------|
| Prepaid expenses and other assets | 644,200 |
|-----------------------------------|---------|

| | |
|--------------------------------------|------------|
| Property and equipment, net (Note 5) | 55,040,156 |
|--------------------------------------|------------|

| | |
|--|------------------|
| Deferred financing costs, net (Note 6) | <u>6,038,566</u> |
|--|------------------|

| | |
|---------------------|------------------------------------|
| Total Assets | <u><u>\$ 79,262,045</u></u> |
|---------------------|------------------------------------|

LIABILITIES AND NET ASSETS

Liabilities:

| | |
|---------------------------------------|--------------|
| Accounts payable and accrued expenses | \$ 2,031,928 |
|---------------------------------------|--------------|

| | |
|-------------------------------------|---------|
| Deferred contract and grant revenue | 311,019 |
|-------------------------------------|---------|

| | |
|-------------------------|-------------------|
| Long-term debt (Note 6) | <u>62,297,679</u> |
|-------------------------|-------------------|

| | |
|--------------------------|--------------------------|
| Total Liabilities | <u>64,640,626</u> |
|--------------------------|--------------------------|

Net Assets:

| | |
|--------------|------------|
| Unrestricted | 14,596,721 |
|--------------|------------|

| | |
|------------------------|---------------|
| Temporarily restricted | <u>24,698</u> |
|------------------------|---------------|

| | |
|-------------------------|--------------------------|
| Total Net Assets | <u>14,621,419</u> |
|-------------------------|--------------------------|

| | |
|---|------------------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 79,262,045</u></u> |
|---|------------------------------------|

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

CHANGES IN UNRESTRICTED NET ASSETS

Revenues:

| | |
|--|-------------------|
| Federal and state grants and contracts | \$ 18,214,344 |
| Other grants and contracts | 7,676,929 |
| Investment income | 436,545 |
| Released from restriction | 22,247 |
| Other | 446,395 |
| | <u>446,395</u> |
| Total Revenues | <u>26,796,460</u> |

Operating expenses:

| | |
|----------------------------------|-------------------|
| Salaries and wages | 10,374,762 |
| Supplies and equipment expensed | 3,493,689 |
| Depreciation | 2,444,607 |
| Interest expense | 3,376,691 |
| General and administrative | 1,372,295 |
| Contracted services | 1,608,091 |
| Utilities and waste disposal | 807,651 |
| Repairs and maintenance | 774,622 |
| Insurance | 462,201 |
| Travel and conference fees | 448,722 |
| Consortium and contractual costs | 412,381 |
| FIP expenses | 14,000 |
| | <u>14,000</u> |
| Total operating expenses | <u>25,589,712</u> |

Other expenses

| | |
|---------------------------|--------------|
| Loss on currency exchange | 7,880 |
| | <u>7,880</u> |

| | |
|----------------|-------------------|
| Total Expenses | <u>25,597,592</u> |
|----------------|-------------------|

| | |
|-------------------------------------|------------------|
| Increase in unrestricted net assets | <u>1,198,868</u> |
|-------------------------------------|------------------|

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

| | |
|---|-----------------|
| Contributions | 9,800 |
| Released from restriction | (22,247) |
| | <u>(22,247)</u> |
| Decrease in temporarily restricted net assets | <u>(12,447)</u> |

| | |
|------------------------|-----------|
| Increase in net assets | 1,186,421 |
|------------------------|-----------|

| | |
|-------------------------------|-------------------|
| Net assets, beginning of year | <u>13,434,998</u> |
|-------------------------------|-------------------|

| | |
|-------------------------|----------------------|
| Net assets, end of year | <u>\$ 14,621,419</u> |
|-------------------------|----------------------|

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:

| | |
|---|---------------------|
| Increase in net assets | \$ 1,186,421 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 2,444,607 |
| Net gain on investments | (177,846) |
| Deferred loan costs | 216,947 |
| Original issue discount | 25,837 |
| Changes in: | |
| Receivables | 442,106 |
| Due from related party | (100,000) |
| Prepaid expenses and other assets | (31,319) |
| Accrued interest | 79,957 |
| Accounts payable and accrued expenses | 64,547 |
| Deferred contract and grant revenues | <u>(15,011,233)</u> |
| Net cash used in operating activities | <u>(10,859,976)</u> |

Cash flows from investing activities:

| | |
|--|-------------------|
| Purchase of investments | (253,926) |
| Proceeds from sale of investments | 21,176,890 |
| Purchase of property and equipment | (1,609,720) |
| Net withdrawal of funds held in trustee escrow | <u>3</u> |
| Net cash provided by investing activities | <u>19,313,247</u> |

Cash flows from financing activities:

| | |
|--|----------------------|
| Payments on long-term debt | <u>(1,062,620)</u> |
| Net increase in cash and cash equivalents | 7,390,651 |
| Cash and cash equivalents, beginning of year | <u>3,139,715</u> |
| Cash and cash equivalents, end of year | <u>\$ 10,530,366</u> |

Supplemental disclosure of cash flow information

| | |
|--|---------------------|
| Cash paid during the year for interest | <u>\$ 3,349,482</u> |
|--|---------------------|

Supplemental disclosure of non-cash investing and financing activities

| | |
|--|-------------------|
| Reduction in principal allocation of Special Assessment District | <u>\$ 556,577</u> |
|--|-------------------|

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1—Summary of significant accounting policies

Vaccine and Gene Therapy Institute of Florida Corp. and Affiliate ("VGTI") is incorporated in the state of Florida as a non-profit public benefit corporation for the purpose of conducting scientific research. VGTI is a research institute focused on the development of new vaccines and therapeutics, plus novel immune and gene therapies to boost the immune system. VGTI is an integral part of a life sciences cluster in Southern Florida that includes other research and medical institutes, companies, and universities.

Principles of Consolidation – The consolidated financial statements include the accounts of Vaccine and Gene Therapy Institute of Florida Corp. and Florida Innovation Partners, LLC ("FIP"). Vaccine and Gene Therapy Institute of Florida Corp. is the sole member of FIP, a limited liability company, formed in November 2009 for the purpose of marketing Port St. Lucie and Tradition (Research Park) as a destination for biomedical research. All significant intercompany balances and transactions have been eliminated in the consolidation.

Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of VGTI and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of VGTI and/or the passage of time. Temporarily restricted net assets consisted of purpose restricted assets at June 30, 2014.
- Permanently restricted net assets - Net assets subject to donor imposed stipulations that will be maintained permanently by VGTI. There were no permanently restricted net assets at June 30, 2014.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met in the same reporting period in which they are received are reported as unrestricted support.

Liquidity – Assets are presented in the accompanying consolidated statement of financial position according to their nearness of conversion to cash, and liabilities are presented according to their maturity and resulting use of cash.

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

Cash and Cash Equivalents – VGTI considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables – Grants and contracts receivable consist of amounts billed and unbilled on grants and contracts for services provided through June 30, 2014. Accounts receivable are stated at the amount management expects to collect from balances outstanding at such date. Based on management's assessment of the credit history with the public funding sources and customers having outstanding balances and current relationships with them, it believes that realization losses on balances outstanding will be immaterial. Therefore, no allowance for doubtful accounts was considered necessary at June 30, 2014.

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

Note 1—Summary of significant accounting policies (continued)

Property and Equipment – Property and equipment is carried at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of assets ranging from three to forty years. Expenditures in excess of \$5,000 with an estimated useful life in excess of one year are capitalized.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to expense as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts and any gains or losses are included in income (expense) for the year.

Deferred Financing Costs – VGTI incurred financing costs in connection with the issuance of the Series 2010 Research Facilities Revenue Bonds (see Note 6). These costs, consisting primarily of underwriting, legal, and consulting fees, are amortized over the life of associated debt using the straight-line method.

Original Issue Discount – Original issue discount on long-term debt is amortized using the straight-line method over the term of the related debt. Unamortized original issue discount is reported as a reduction of long-term debt.

Revenue Recognition – VGTI enters into cost reimbursement contracts and grants with federal agencies and the state of Florida to develop and conduct research related to vaccine and gene therapy. These contracts and grants are for specific time periods and to achieve specific results. Revenue from these cost reimbursement contracts and grants is recognized to the extent of eligible costs incurred, up to the maximum grant or contract amount. The amount of funding is negotiated in advance of the research being undertaken.

Amounts received from grants and contracts in advance of the funds being earned are recorded as deferred revenue. Revenue is recognized as related qualified expenditures are incurred.

Contributions – Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are recognized when the conditions on which they depend on are substantially met.

Functional Allocation of Expenses – The costs of providing various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – VGTI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as other than a private foundation.

FIP has elected to be taxed as a limited liability company under the Internal Revenue Code, and is a disregarded entity for federal tax purposes. Under those provisions, VGTI is to report any income of FIP on its tax filing. Accordingly, no provision for income taxes is necessary.

VGTI has evaluated the effect of the guidance on *Accounting for Uncertainty in Income Taxes*. Management believes that VGTI continues to satisfy the requirements of a tax-exempt organization. Management has evaluated all other tax positions that could have a significant effect on the consolidated financial statements and determined VGTI had no uncertain income tax positions at June 30, 2014.

Subsequent Events - Management evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through November 10, 2014, the date the consolidated financial statements were available to be issued.

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

Note 2—Concentrations of credit risk

Financial instruments which potentially subject VGTI to concentrations of credit risk consist principally of cash and cash equivalents.

VGTI places its cash and cash held in escrow on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. VGTI from time to time may have amounts on deposit in excess of the insured limits. At June 30, 2014, VGTI had cash and cash held in escrow balances of \$7,977,426 in excess of these insured limits.

Note 3—Assets measured at fair value

Fair Value Measurements – VGTI records certain assets at fair value in accordance with the current accounting standards on *Fair Value Measurements*. The standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also established a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability, and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

| As of June 30, 2014 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
|---------------------|---|--|--|---------------------|
| Money market funds | \$ - | \$ 6,212,108 | \$ - | \$ 6,212,108 |

Investment income consists of interest and dividend income of \$258,699 and net realized gains of 177,846.

Note 4—Cash held in escrow

Cash held in escrow consists of cash held by the trustee under the agreement related to the issuance of the Series 2010 Research Facilities Revenue Bonds (see Note 6). The agreement requires certain reserves and deposits be held for the facilitation of debt service. Cash held in escrow is \$4,146,530 at June 30, 2014.

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

Note 5—Property and equipment

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

| | |
|-------------------------------------|----------------------|
| Land and land improvements | \$ 4,889,144 |
| Buildings and building improvements | 49,665,152 |
| Equipment and furniture | <u>7,964,201</u> |
| | 62,518,497 |
| Less accumulated depreciation | <u>(7,478,341)</u> |
| | <u>\$ 55,040,156</u> |

Note 6—Long-term debt

On June 3, 2010, the city of Port St. Lucie, Florida (the “City”) issued tax-exempt Research Facilities Revenue Bonds, Series 2010 in the aggregate amount of \$64,035,000 on behalf of VGTI. Interest on the Series 2010 bonds is payable on May 1 and November 1 of each year, beginning in November 2010 through November 2042, with interest rates ranging from 3% to 5%.

The bond proceeds are being used to provide funds, together with other available money, for the purpose of paying for or reimbursing the costs of certain land and land development costs of property located in the City and the approximately 99,000 gross square foot building which has been constructed on the land which is being used for biomedical and other scientific research, development, training, and educational facilities. The bond proceeds were also used to fund capitalized interest on the Series 2010 bonds up to June 30, 2012, fund a debt service reserve and pay the costs of issuance.

VGTI has a special assessment district obligation with the City for local land improvements that will be maintained by the local government, such as streets, pavement, sewers, and drainage systems. During the year ended June 30, 2014, the City reassessed and reduced VGTI’s allocation of the principal of the special assessment district obligation by \$566,577. The remaining obligation is payable in 25 annual installments of approximately \$77,000, including imputed interest at 5.624% through November 2039.

During 2010, VGTI received a U.S. Department of Commerce Economic Development Administration (EDA) Financial Assistance Award grant of up to \$3,577,500, to be used to pay for one half of the cost to build out a 40,000 square foot biomedical laboratory. The grant agreement terms specify the usage as Biomedical research space that will promote innovation, competitiveness, growth and success in the worldwide economy. The award requires an Agreement and Mortgage be recorded which would establish the initial “Federal Share” value of \$2,830,000 and provide for the EDA to be repaid its “Federal Share” as modified by the Intercreditor Agreement, dated June 3, 2010, with the City of Port St. Lucie as the lender for the construction of the VGTI facility and TD Bank, as Trustee. The Inter-Creditor Agreement provides that if there is a default under the grant and mortgages or condemnation of the property, the EDA and the City will share pro rata in the proceeds of any sale or condemnation award. If VGTI were to change use or transfer or alienate the project space in violation of the EDA agreement without prior approval, the EDA Mortgage would become due and payable to the EDA. The lien and encumbrance of this Agreement and Mortgage shall terminate and be of no further force and effect twenty years from the date of recording, March 2, 2012. The management of VGTI believes that VGTI is in compliance with the conditions of the EDA Financial Assistance Award. As such, no liability has been recorded in the financial statements of VGTI as of June 30, 2014.

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

Note 6—Long-term debt (continued)

Long-term debt consists of the following at June 30, 2014:

| | |
|---|-----------------------------|
| Series 2010 Research Facilities Revenue Bonds | \$ 61,975,000 |
| Special assessment district obligation | <u>1,041,716</u> |
| | 63,016,716 |
| Unamortized original issue discount | <u>(719,037)</u> |
| Total long-term debt | <u><u>\$ 62,297,679</u></u> |

Approximate future maturities of long-term debt are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|
| 2015 | \$ 1,109,658 |
| 2016 | 1,150,763 |
| 2017 | 1,211,931 |
| 2018 | 1,268,164 |
| 2019 | 1,334,467 |
| Thereafter | <u>56,941,733</u> |
| Long-term debt | <u><u>\$ 63,016,716</u></u> |

Deferred financing costs consist of the following at June 30, 2014:

| | |
|--------------------------|----------------------------|
| Deferred financing costs | \$ 6,581,136 |
| Less amortization | <u>(542,570)</u> |
| | <u><u>\$ 6,038,566</u></u> |

Note 7—Employee benefit plan

VGTI has a defined contribution annuity plan (the "Plan"). Most employees are eligible to participate in the Plan after six months of employment. VGTI contributes 6% of each participant's annual compensation to the Plan. Each participant is immediately fully vested in both VGTI's and the participant's contribution.

VGTI's expense related to the Plan was approximately \$390,000 for the year ended June 30, 2014.

Note 8—Commitments and contingencies

VGTI participates in federal and state government grant programs, the expenditures for which are subject to audit from respective funding agencies and/or the Government Accounting Office. Upon examination, expenditures could be disallowed and refunds required. VGTI is not aware of any expenditures for which such allowance or refunds would be required by funding agencies.

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

Note 9—State of Florida - Funding Agreement

In April 2008, VGTI and the state of Florida, Executive Office of the Governor's Office of Tourism, Trade and Economic Development ("OTTED") executed a Funding Agreement (the "funding agreement"). The State of Florida reorganized responsibilities for overseeing programs related to economic development from the Executive Office of the Governor of Florida to Florida's Department of Economic Opportunity ("DEO"). Under the funding agreement, VGTI has received a total of \$60,000,000 to establish a state-of-the-art vaccine and gene therapy research institution in Florida. Revenue recognized from the funding agreement amounted to approximately \$15,017,000 during the year ended June 30, 2014.

An additional amount of approximately \$2.5 million (interest earned on amounts previously held in trust prior to disbursement) is available upon VGTI's meeting the 200 FTE job-creation goal and otherwise fulfilling other commitments under the Funding Agreement. This amount is not recognized either as current or deferred revenue or accounts receivable. In order to receive the funds, VGTI submitted funding requests, together with various progress reports to DEO. In addition, VGTI must report on its progress in meeting the performance expectations for Incentive Fund Awardees, including such matters as the number of jobs created in Florida, the average wages of such jobs and scientific equipment purchased. There were no unspent funds at June 30, 2014.

DEO has a security interest in property and equipment acquired with the DEO funds as well as the unexpended funds.

Note 10—Expenses

Operating expenses by functional classifications for the year ended June 30, 2014 were as follows:

| | |
|-----------------------------|----------------------|
| Program services | \$ 19,515,387 |
| Supporting services: | |
| Management and general | 5,631,503 |
| Fundraising and development | 442,822 |
| | <u>\$ 25,589,712</u> |

Note 11—Related Party Transactions

During the year ended June 30, 2014, VGTI incurred expenses of \$167,388 for contracted services and travel reimbursements to three advisory board members.

VGTI successfully recruited a nationally recognized research scientist and administrator to lead the Institute as its Director. On July 1, 2013, as a part of the Director's incentive and retention package, VGTI made a loan to him in the amount of \$100,000, evidenced by a promissory note to be repaid in five annual installments of \$20,000 principal plus accrued interest at the then prevailing mid-term Applicable Federal Rate ("AFR") of 1.09%. The terms require VGTI to forgive each annual payment while he continues to serve as its Director.

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

Note 12—Liquidity and management’s plans

As shown in the accompanying financial statements, VGTI has incurred cash flow losses from operations during the current fiscal year and every year since inception. These cash flow losses from operations are offset by the recognition of deferred revenue related to the State of Florida grant received at inception to finance the developmental stage of the Institute. The cash flow losses from operations, as well as the uncertain conditions that VGTI faces regarding the current financial stresses, create an uncertainty about VGTI’s ability to continue as a going concern. Management of VGTI is developing and executing a plan to seek additional funding and/or a restructuring through a business combination or partnering agreement to conserve its capital and the value of all assets while continuing its mission to “Translate Research into Health.” The first phase of management’s plan has been completed – agreement on a term sheet with a prospective merger partner, which is in the process of being incorporated into a letter of intent. The ability of VGTI to continue as a going concern is dependent on the successful execution of that plan and its being accepted by the various stakeholders (including the State of Florida, the City of Port St. Lucie and St. Lucie County, among others). There is no guarantee that the conditions required for implementation of that plan will be met. VGTI anticipates that by February 1, 2015, it will have sufficient feedback from all stakeholders to know whether conditions for the successful execution of the plan will be met.

The budget for the fiscal year ending on June 30, 2015 provides for funding of the existing scientific research while reducing operating expenses in order to conserve cash assets. VGTI has responded to the general crisis in scientific research funding by improving the operating deficit forecasted for both the current fiscal year and the next fiscal year that ends on June 30, 2015 with enhancing revenue generation and reducing administrative and development costs. These initiatives have improved the cash planned to be expended in developing and operating VGTI by over \$4.0 million per year. In addition to the reductions to operating costs and the deferral of development costs, the Florida Legislature appropriated \$3 million for the 2015 fiscal year to fund on a pilot basis the new Center for the Diseases of Aging (CDA). The CDA researches the critical diseases that affect much of Florida’s aging population and includes the exciting new collaboration between VGTI and scientists of Sweden’s Karolinska Institute. As of the close of the current fiscal year, the funding had not yet been distributed. Under Florida law, funds can only be disbursed against clearly identified deliverables, which VGTI and the Florida Department of Health are in the process of preparing. The financial statements do not include any adjustments that might be necessary if VGTI is unable to continue as a going concern.

SUPPLEMENTARY INFORMATION

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

| | Supporting Services | | | Total Supporting Services | Total |
|---|----------------------|------------------------------|-----------------------------------|---------------------------------|----------------------|
| | Program Services | Management and General | Fundraising and Development | | |
| Salaries and Wages | \$ 7,062,946 | \$ 2,993,832 | \$ 317,984 | \$ 3,311,816 | \$ 10,374,762 |
| Supplies and Equipment Expensed: | | | | | |
| Supplies | 3,254,386 | 48,929 | 2,990 | 51,919 | 3,306,305 |
| Equipment expensed | 161,467 | 22,893 | 3,024 | 25,917 | 187,384 |
| Total Supplies and Equipment Expensed | 3,415,853 | 71,822 | 6,014 | 77,836 | 3,493,689 |
| Depreciation | 2,366,383 | 75,143 | 3,081 | 78,224 | 2,444,607 |
| Interest Expense | 3,268,641 | 103,794 | 4,256 | 108,050 | 3,376,691 |
| General and Administrative: | | | | | |
| Information technology, maintenance and other | 510,342 | 383,865 | 18,996 | 402,861 | 913,203 |
| Business promotions | 15,831 | 119,233 | 4,260 | 123,493 | 139,324 |
| Scientific advisory board | - | 165,600 | - | 165,600 | 165,600 |
| Security | 149,235 | 4,739 | 194 | 4,933 | 154,168 |
| Total General and Administrative | 675,408 | 673,437 | 23,450 | 696,887 | 1,372,295 |
| Contracted Services: | | | | | |
| Outsourced support services | 43,911 | 567,175 | 76,007 | 643,182 | 687,093 |
| Outsourced professional services | 52,535 | 867,326 | 1,137 | 868,463 | 920,998 |
| Total Contracted Services | 96,446 | 1,434,501 | 77,144 | 1,511,645 | 1,608,091 |
| Utilities and Waste Disposal: | | | | | |
| Utilities | 684,177 | 92,740 | 2,279 | 95,019 | 779,196 |
| Waste disposal | 5,692 | 22,756 | 7 | 22,763 | 28,455 |
| Total Utilities and Waste Disposal | 689,869 | 115,496 | 2,286 | 117,782 | 807,651 |
| Repairs and Maintenance | 748,353 | 25,439 | 830 | 26,269 | 774,622 |
| Insurance | 448,755 | 12,916 | 530 | 13,446 | 462,201 |
| Travel and Conference Fees | 316,352 | 125,123 | 7,247 | 132,370 | 448,722 |
| Consortium and contractual costs | 412,381 | - | - | - | 412,381 |
| FIP Expenses | 14,000 | - | - | - | 14,000 |
| 2014 Total Operating Expenses | <u>\$ 19,515,387</u> | <u>\$ 5,631,503</u> | <u>\$ 442,822</u> | <u>\$ 6,074,325</u> | <u>\$ 25,589,712</u> |
| 2014 % of Total | <u>76%</u> | <u>22%</u> | <u>2%</u> | <u>24%</u> | <u>100%</u> |

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2014

| FEDERAL AWARDS | CFDA# | Pass-Through Grant or Contract Number | Amount Expended |
|--|--------|---|----------------------|
| <u>U.S. Department of Health and Human Services</u> | | | |
| <i>Passed through National Institutes of Health</i> | | | |
| Drug Abuse and Addiction Research Programs | 93.279 | 5 DP1 DA028871-04 | \$ 507,905 |
| Drug Abuse and Addiction Research Programs | 93.279 | 3DP1DA028871-05S1 | 35,864 |
| Allergy, Immunology and Transplantation Research | 93.855 | 1RO1AI106482-01AI | 293,840 |
| Allergy, Immunology and Transplantation Research | 93.855 | 1RO1AI108433-01AI | 125,942 |
| <i>Passed through Case Western Reserve University</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | P01 AI 076174 | 42,626 |
| Allergy, Immunology and Transplantation Research | 93.855 | 1U01AI105937-01 | 10,906 |
| <i>Passed through Emory University</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 5 P01 AI 080192-04 | 20,178 |
| Allergy, Immunology and Transplantation Research | 93.855 | 1RO1AI110334-01 | 96,771 |
| <i>Passed through Baylor Research Institute</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 5 U19 AI 057234-09 | 118,248 |
| <i>Oregon Health and Science University</i> | | | |
| <i>Passed through University of Cape Town</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 1 R01 AI 087915-01AI | 162,242 |
| <i>Passed through Oregon Health and Science University</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 1 P01 AI094417-01 | 178,201 |
| <i>Passed through Beth Israel Deaconess Medical Center, Inc.</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 1 P01 AI095985-01 | 308,420 |
| <i>Passed through The Regents of the University of California, UCSF</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | U19 AI096109 | 521,422 |
| Extramural Research Programs in the Neurosciences and Neurological Disor | 93.853 | R01NS061696 | 10,931 |
| <i>Passed through Magee Women's Research Institute and Foundation</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | UM1AI068633 | 6,483 |
| Child Health and Human Development Extramural Research | 93.865 | 5RO1HD059533 | 44,640 |
| <i>Passed through The University of Miami</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 2P30AI073961 | 30,798 |
| <i>Social & Scientific Systems Inc.</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | P30AI073961 | 34,647 |
| Allergy, Immunology and Transplantation Research | 93.855 | 5P30AI073961-07 | 39,859 |
| <i>Passed through Vanderbilt University Medical Center</i> | | | |
| National Institute of Allergy and Infectious Diseases | 93.855 | 5R21AI103834-01 | 50,528 |
| <i>Passed through University of Texas Medical Branch at Galveston</i> | | | |
| National Institute of Allergy and Infectious Diseases | 93.855 | 1RO1AI102887-01 | 35,029 |
| <i>Passed through University of Maryland-Baltimore</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 1R21AI06508-01 | 53,766 |
| <i>Passed through Mayo Clinic</i> | | | |
| Cancer Detection and Diagnosis Research | 93.394 | 5RO1CA152045-03 | 160,526 |
| Cancer Center Support Grants | 93.397 | 5P50CA136393-05 | 41,705 |
| <i>Passed through University of Pittsburg</i> | | | |
| Allergy, Immunology and Transplantation Research | 93.855 | 1U01AI11598-01 | 257,777 |
| <u>US Department of Defense</u> | | | |
| <i>Passed through US Army Medical Research Acquisition Act</i> | | | |
| Military Medical Research And Development | 12.420 | W81XWH-12-1-0339 | 4,191 |
| <i>Passed through The Henry M Jackson Foundation</i> | | | |
| Military Medical Research And Development | 12.420 | W81XWH-07-2-0067 | 4,039 |
| Total Expenditures of Federal Awards | | | \$ 3,197,484 |
| STATE FINANCIAL ASSISTANCE | | | Assistance |
| <u>State of Florida</u> | | | Expended |
| Direct - Innovation Incentive Program | 40.017 | | \$ 15,016,860 |
| Total Expenditures of State Financial Assistance | | | \$ 15,016,860 |

See accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

JUNE 30, 2014

Note 1—Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance includes federal and state grant activity of VGTI and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit organizations, the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements of Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

Note 2—Contingencies

Expenditures incurred by VGTI are subject to audit and possible disallowance by federal and state agencies. VGTI is not aware of any expenditures for which such allowance or refunds would be required by funding agencies

GRANT COMPLIANCE

**Report of Independent Auditor 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 of
Vaccine and Gene Therapy Institute of Florida Corp. and Affiliate
Port St. Lucie, 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 Vaccine and Gene Therapy Institute of Florida Corp. and Affiliate (“VGTI”), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements 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 10, 2014. The consolidated financial statements have been prepared assuming that VGTI will continue as a going concern. Management’s plans regarding this matter is described in Note 12. Those conditions raise substantial doubt about VGTI’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered VGTI’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 VGTI’s internal control. Accordingly, we do not express an opinion on the effectiveness of VGTI’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 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 purposes 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 VGTI's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This 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 organization'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.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
November 10, 2014

Report of Independent Auditor on Compliance for Each Major Federal Program and State Financial Assistance Project and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General of the State of Florida

To the Board of Directors of
Vaccine and Gene Therapy Institute of Florida Corp. and Affiliate
Port St. Lucie, Florida

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Vaccine and Gene Therapy Institute of Florida Corp. and Affiliate (“VGTI”)’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the Executive Office of the Governor of the State of Florida’s State Projects Compliance Supplement, that could have a direct and material effect of each of VGTI’s major federal programs and state financial assistance projects for the year ended June 30, 2014. VGTI’s major federal programs and state financial assistance 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 federal programs and state financial assistance projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of VGTI’s major federal programs and state financial assistance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Those standards OMB Circular A-133, and Chapter 10.650, 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 the major federal programs or state financial assistance projects occurred. An audit includes examining, on a test basis, evidence about VGTI’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 of the major federal programs and state financial assistance projects. However, our audit does not provide a legal determination of VGTI’s compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, VGTI 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 federal programs and state financial assistance projects for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of VGTI 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 VGTI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with OMB Circular A-133, and Chapter 10.650, 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 VGTI's internal control over compliance.

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 federal program or state financial assistance 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 federal program and state financial assistance 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 federal program and state financial assistance 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 OMB Circular A-133 and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekant LLP". The signature is written in a cursive, flowing style.

Tampa, Florida
November 10, 2014

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes x none reported

Noncompliance material to financial statements noted yes x no

Federal Awards and State Financial Assistance Section

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes x none reported

Type of auditor's report on compliance for major federal programs and state financial assistance projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 and/or Chapter 10.650 yes x no

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

Part I - Summary of Auditor's Results (continued)

Identification of major federal programs and state financial assistance projects:

Federal Programs:

| CFDA Numbers | Name of Program or Cluster |
|---|----------------------------------|
| 93.279, 93.394, 93.397, 93.853, 93.855, 93.865, 12.420 | Research and Development Cluster |

State Projects:

| CSFA Numbers | Name of Project |
|--------------|------------------------------|
| 40.017 | Innovation Incentive Program |

Federal Awards and State Projects Section

Dollar threshold used to determine Type A programs:

| | |
|------------------|------------|
| Federal programs | \$ 300,000 |
| State projects | \$ 450,505 |

Auditee qualified as low-risk auditee for federal purposes?

yes no

VACCINE AND GENE THERAPY INSTITUTE OF FLORIDA CORP. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2014

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Part III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by OMB Circular A-133.

There were no findings required to be reported by OMB Circular A-133.

Part IV - State Project Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of state financial assistance programs, as required to be reported by Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

There were no findings required to be reported by Chapter 10.650, *Rules of the Auditor General of the State of Florida*.

Part V - Other Matters

No Management letter is required because there were no findings required to be reported in the management letter.

Summary Schedule of Prior Audit Findings

A Summary Schedule of Prior Audit Findings is not necessary since there were no prior audit findings.