

Institute for Commercialization
of Public Research, Inc.

Consolidated Financial Statements with Supplemental Schedule
and Information

June 30, 2015

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 – 28
Supplemental Schedule:	
Consolidated Schedule of Expenditures of State Financial Assistance.....	30
Notes to the Consolidated Schedule of Expenditures of State Financial Assistance	31
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.....	33 – 34
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.....	35 – 36
Schedule of Findings and Questioned Costs	37 – 38

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"), which comprise the consolidated statement of financial position at June 30, 2015, 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 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.

Continued from previous page

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, 2015, 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.

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 have also issued our report dated November 20, 2015, 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.

Accountal Capital LLP

Boca Raton, Florida
November 20, 2015

Institute for Commercialization of Public Research, Inc.
Consolidated Statement of Financial Position
June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash	\$ 158,306	\$ 34,086	\$ 3,911,708	\$ 4,104,100
Grants receivable	375,000	18,076	1,000,000	1,393,076
Prepaid expenses	5,008	-	-	5,008
Total current assets	<u>538,314</u>	<u>52,162</u>	<u>4,911,708</u>	<u>5,502,184</u>
Noncurrent assets:				
Seed funding loans and interest receivable	-	-	8,609,763	8,609,763
Allowance for loan losses	-	-	(900,000)	(900,000)
Convertible notes and interest receivable	-	-	1,634,905	1,634,905
Equity investments	-	-	2,457,164	2,457,164
Property and equipment, net	2,264	-	-	2,264
Deposits	1,500	-	-	1,500
Total non current assets	<u>3,764</u>	<u>-</u>	<u>11,801,832</u>	<u>11,805,596</u>
Total assets	<u>\$ 542,078</u>	<u>\$ 52,162</u>	<u>\$ 16,713,540</u>	<u>\$ 17,307,780</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 373,885	\$ -	\$ 13,241	\$ 387,126
Deferred loan fees	123,501	-	-	123,501
Total current liabilities	<u>497,386</u>	<u>-</u>	<u>13,241</u>	<u>510,627</u>
Net assets	<u>44,692</u>	<u>52,162</u>	<u>16,700,299</u>	<u>16,797,153</u>
Total liabilities and net assets	<u>\$ 542,078</u>	<u>\$ 52,162</u>	<u>\$ 16,713,540</u>	<u>\$ 17,307,780</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:				
State grants	\$ 1,500,000	\$ -	\$ 4,000,000	\$ 5,500,000
Contributions	52,735	69,400	-	122,135
Programs	-	100,000	-	100,000
Net assets released from restrictions	439,574	(439,574)	-	-
Total support revenue	<u>1,992,309</u>	<u>(270,174)</u>	<u>4,000,000</u>	<u>5,722,135</u>
Expenses:				
Program services	1,861,357	-	900,000	2,761,357
Support services	407,116	-	-	407,116
Total expenses	<u>2,268,473</u>	<u>-</u>	<u>900,000</u>	<u>3,168,473</u>
Change in net assets before other income	<u>(276,164)</u>	<u>(270,174)</u>	<u>3,100,000</u>	<u>2,553,662</u>
Other income (loss):				
Interest income	-	-	389,761	389,761
Fee income	108,316	-	-	108,316
Total other income	<u>108,316</u>	<u>-</u>	<u>389,761</u>	<u>498,077</u>
Change in net assets	(167,848)	(270,174)	3,489,761	3,051,739
Net assets, beginning of year	<u>212,540</u>	<u>322,336</u>	<u>13,210,538</u>	<u>13,745,414</u>
Net assets, end of year	<u>\$ 44,692</u>	<u>\$ 52,162</u>	<u>\$ 16,700,299</u>	<u>\$ 16,797,153</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, 2015

	<u>Program Services</u>	<u>Support Services</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 1,077,074	\$ 269,268	\$ 1,346,342
Loan loss expense	1,203,736	-	1,203,736
Entrepreneur in residence activity	325,856	-	325,856
Professional fees	23,238	46,235	69,473
Government relations	-	60,781	60,781
Rent	42,562	4,729	47,291
Travel and entertainment	29,785	7,446	37,231
Conferences and meetings	15,594	3,898	19,492
Advertising	13,680	3,420	17,100
Subscriptions	9,858	2,464	12,322
Office supplies	8,134	904	9,038
Telephone	4,714	1,179	5,893
Insurance	-	5,385	5,385
Postage and printing	2,422	605	3,027
Depreciation	2,082	231	2,313
Miscellaneous	1,593	399	1,992
Repairs and maintenance	618	69	687
Bank and merchant fees	411	103	514
	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ 2,761,357	\$ 407,116	\$ 3,168,473

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, 2015

Cash flows from operating activities:	
Change in net assets	\$ 3,051,739
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Allowance for loan losses	900,000
Write-off of uncollectable loan	303,736
Depreciation	2,313
Noncash interest income	(342,866)
(Increases) decreases in operating assets:	
Equity investments	(1,657,164)
Grants receivable	(67,080)
Prepaid expenses	744
Collection on seed funding loans	(1,469,001)
Seed funding loan pay-off	300,000
Convertible notes receivable	(712,500)
Decreases in operating liabilities:	
Accounts payable and accrued expenses	(25,258)
Deferred seed funding fee revenue	(3,932)
Total adjustments	<u>(2,771,008)</u>
Net cash provided by operating activities	<u>280,731</u>
Cash flows from investing activities	<u>-</u>
Cash flows from financing activities	<u>-</u>
Net increase in cash	280,731
Cash at beginning of year	<u>3,823,369</u>
Cash at end of year	<u>\$ 4,104,100</u>

See accompanying notes to the 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 start-up companies, and to continue to support 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, operations, or production to attract advantageous business opportunities and funding. 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.

Note 2 – Significant Accounting Policies, continued

Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting and in conformity with accounting 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.

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.

Note 2 – Significant Accounting Policies, continued

Revenue Recognition, continued

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.

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 operations. Under this award, the Fund is responsible for processing 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-to-one private sector match required for follow-on investments, not to exceed \$500,000 cumulatively.

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.

Note 2 – Significant Accounting Policies, continued

Revenue Recognition, continued

Fund, continued

During October 2014, the Fund and the DEO entered into an amendment (“First Amendment”) to the original agreement. According to the terms of the First Amendment, the Organization was awarded another \$5,500,000 for the period July 1, 2014 through June 30, 2015, of which \$4,000,000 was allocated to the Fund to provide seed funding investments and \$1,500,000 was allocated to the Institute for its ongoing operations. Revenue from the grant was deemed to be fully earned and recognized in the statement of activities during the year ended June 30, 2015.

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, 2015. 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 that certain 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 grants receivable balance at June 30, 2015 represents uncollected funds from the DEO grant under the First Amendment that was awarded and also includes two other grants awarded to the Organization during the year ended June 30, 2015.

All grants are deemed collectible and therefore, no allowance for potentially uncollectible grants receivable is provided.

Seed Funding Loans and Interest Receivable

Seed funding loans provided through SCAP are comprised of five (5) year-term loans issued to qualified applicants. Loans are stated at their unpaid principal balances and accrue interest at a fixed annual rate of 2.5% plus the effective interest rate on the 10-year U.S. Treasury Bond at 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. During the year ended June 30, 2015, one of the loans in the principal amount of \$300,000 was repaid in full, including accrued interest.

Note 2 – Significant Accounting Policies, continued

Seed Funding Loans and Interest Receivable, continued

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 written off, or an allowance is established. The allowance for doubtful loans at June 30, 2015 was \$900,000. Investments in portfolio company equity, convertible indebtedness or loans (financial instruments) are evaluated individually for establishing an allowance for impairment, and are based on management's review and analysis of the portfolio companies' operations in order to estimate the likelihood of recovery of the carrying amount of the financial instruments. This allowance represents management's best estimate at June 30, 2015 based upon these periodic reviews.

During the year ended June 30, 2015, one of the Organization's loans in the amount of \$303,736 was deemed uncollectible and was fully written off and charged to loan loss expense.

Convertible Notes and Interest Receivable

Convertible notes 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 of 4.0% plus the effective interest rate on the 10-year U.S. Treasury Bond at the date of the first advance of the convertible 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 interest 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 written off or an allowance is established. At June 30, 2015, 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 suspended 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 lives of three (3) to five (5) years.

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 Institute's 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, 2015, 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 2011.

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 20, 2015, the date the consolidated financial statements were available to be issued.

Note 3 – Equity Investments

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

Note 3 – Equity Investments, continued

Equity investments consist of the following at June 30, 2015:

	<u>Type</u>		
Company i	Common Stock	\$	200,000
Company ii	Common Stock		300,000
Company iii	Class A Member Units		300,000
Company iv	Preferred Stock		200,000
Company v	Common Stock		299,972
Company vi	Class C Member Units		137,500
Company vii	Class A-2 Member Units		200,000
Company viii	Common Stock		300,000
Company ix	Preferred Stock		312,919
Company x	Preferred Stock		206,773
		<u>\$</u>	<u>2,457,164</u>

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 also 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.

Company iv is a Miami-based pharmaceutical startup company with technology developed at the University of Miami that is discovering and developing novel therapies based on growth hormone-releasing hormone (GHRH) analogs. Company iv also has a loan under the SCAP program. (See Company 16 in Note 6)

Company v is a Boca Raton-based company based on technology developed at Florida Atlantic University that has developed point-of-care wireless, pocket-size and cordless ultrasound devices with touchscreen monitor user-interface at affordable cost making ultrasound available for all medical physicians.

Note 3 – Equity Investments, continued

Company vi 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 vi also has a loan under the SCAP program. (See Company 17 in Note 6)

Company vii is a Newberry-based company based on technology developed at the University of Florida that is a medical drink 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.

Company viii is a Tampa-based company with technology developed at the University of South Florida that is in the process of commercializing its 3D fibrous scaffold (FiSS™) driven cell culture and tumoroid technology (TUMOR-ON-A-DISH™). The products are designed for use in 3D cell culture reagents for cancer researchers, 3D drug discovery (3D-DD™) for pharmaceutical companies and individualized cancer treatment (FITx™).

Company ix 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. This company's seed funding was originally in the form of a convertible note that was converted to equity during the year ended June 30, 2015.

Company x 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. This company's seed funding was originally in the form of a convertible note that was converted to equity during the year ended June 30, 2015. Company x also has a loan under SCAP program. (Company 18 in Note 6)

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).

Note 4 – Fair Value Measurements, continued

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 financial instrument'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.

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.

Note 4 – Fair Value Measurements, continued

At June 30, 2015, 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 method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, Organization management 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.

The following table represents the Organization’s financial instruments measured at fair value on a recurring basis at June 30, 2015 for each of the fair value hierarchy levels:

Fair Value Measurements at June 30, 2015				
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Investments:				
Company i	\$ 200,000	\$ -	\$ -	\$ 200,000
Company ii	300,000	-	-	300,000
Company iii	300,000	-	-	300,000
Company iv	200,000	-	-	200,000
Company v	299,972	-	-	299,972
Company vi	137,500	-	-	137,500
Company vii	200,000	-	-	200,000
Company viii	300,000	-	-	300,000
Company ix	312,919	-	-	312,919
Company x	206,773	-	-	206,773
Total assets	<u>\$ 2,457,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,457,164</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, 2015. An asset is classified as Level 3 if unobservable inputs are significant relative to the overall fair value measurement of the asset.

Note 4 – Fair Value Measurements, continued

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

June 30, 2014	\$	800,000
Realized gains or (losses)		-
Unrealized gains or (losses)		-
Purchases, issuance, and settlements		1,657,164
Transfers in and/or out of Level 3		-
June 30, 2015	\$	<u>2,457,164</u>

Note 5 – Grants Receivable

The unrestricted grant receivable represents DEO amounts due to the Institute for support of the Organization's operations.

The temporarily restricted grants receivable represents amounts due to the Institute from two (2) other small grants awarded for the support of specific program initiatives.

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

Note 6 – Seed Funding Loans Receivable

Seed funding loans receivable consists of the following SCAP loans at June 30, 2015:

Recipient	Origination Date	Maturity Date	Interest Rate	Loan Principal	Accrued Interest	Deferred Loan Fees
Company 1	11/02/11	11/02/16	4.625%	\$ 300,000	\$ 50,723	\$ 2,010
Company 2	11/17/11	11/17/16	4.500%	280,000	45,546	1,933
Company 3	04/26/12	04/26/17	4.500%	300,000	42,861	2,733
Company 4	05/10/12	05/10/17	4.500%	100,000	14,115	2,500
Company 5	05/24/12	05/24/17	4.250%	300,000	39,504	2,848
Company 6	08/29/12	08/29/17	4.150%	300,000	35,275	3,247
Company 7	10/26/12	10/26/17	4.125%	300,000	33,101	3,485
Company 4	10/16/12	10/16/17	4.500%	200,000	24,344	5,000
Company 8	11/16/12	11/16/17	4.125%	300,000	20,016	2,071
Company 9	12/31/12	12/31/17	4.250%	300,000	33,412	3,756
Company 10	01/29/13	01/29/18	4.125%	300,000	29,889	3,875
Company 11	02/25/13	02/25/18	4.500%	300,000	18,074	2,486
Company 12	04/17/13	04/17/18	4.500%	300,000	29,435	4,196
Company 13	04/26/13	04/26/18	4.500%	300,000	29,398	4,233
Company 14	05/02/13	05/02/18	4.500%	300,000	29,176	4,258
Company 15	05/10/13	05/10/18	4.250%	150,000	13,638	3,750
Company 16	06/07/13	06/07/18	4.250%	300,000	26,301	4,405
Company 17	06/27/13	06/27/18	4.250%	300,000	25,605	5,153
Company 18	07/26/13	07/26/18	4.250%	300,000	24,592	7,500
Company 19	08/30/13	08/30/18	5.000%	225,000	20,620	5,625
Company 20	09/13/13	09/13/18	5.000%	50,000	4,486	1,250
Company 15	09/30/13	05/10/18	5.000%	76,000	6,632	1,900
Company 21	11/20/13	11/20/18	5.250%	300,000	25,329	5,153
Company 19	12/04/13	08/30/18	5.000%	75,000	5,887	1,875
Company 22	12/30/13	12/30/18	5.250%	149,999	3,927	1,876
Company 23	01/15/14	01/15/19	5.250%	124,999	9,529	2,216
Company 24	03/26/14	03/26/19	5.250%	50,000	3,984	1,682
Company 22	04/23/14	12/30/18	5.250%	150,001	798	2,110
Company 25	07/11/14	07/10/19	5.000%	300,000	14,548	6,045
Company 24	08/07/14	03/26/19	5.250%	250,000	11,723	5,130
Company 23	08/15/14	01/15/19	5.250%	75,001	3,409	1,547
Company 26	08/26/14	08/26/19	4.880%	300,000	12,341	6,234
Company 27	07/29/14	07/29/19	5.000%	300,000	13,562	6,119
Company 23	09/18/14	01/15/19	5.250%	100,000	4,085	2,110
Company 28	12/04/14	12/04/19	4.750%	144,000	3,898	3,190
				<u>\$ 7,900,000</u>	<u>\$ 709,763</u>	<u>\$ 123,501</u>

Note 6 – Seed Funding Loans Receivable, continued

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.

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 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 9 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 10 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.

Note 6 – Seed Funding Loans Receivable, continued

Company 11 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 12 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 13 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 14 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 15 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 16 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 17 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 18 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 19 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.

Note 6 – Seed Funding Loans Receivable, continued

Company 20 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.

Company 21 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 22 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 23 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 24 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, 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 currently is raising additional private investment capital to advance product development and testing.

Company 25 is 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.

Company 26 is a Sarasota-based company, with applied technology developed at the University of Florida that produces energy efficient plasma accelerators for open refrigeration systems for reducing airflow into surrounding ambient spaces, which will provide energy efficient solutions for open case refrigeration within the retail food and beverage segment.

Company 27 is 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.

Company 28 is a Gainesville-based startup company with technology developed at the University of Florida that licenses an integrated software system for providing online mental health treatment.

Note 6 – Seed Funding Loans Receivable, continued

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, 2015:

<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	\$ 20,734
Company II	06/06/14	06/06/17	6.500%	157,500	10,911
Company III	07/24/14	07/24/17	6.500%	300,000	18,218
Company II	12/04/14	06/06/17	6.500%	142,500	5,278
Company IV	03/19/15	03/19/18	6.000%	200,000	3,353
Company V	03/31/15	03/31/18	6.000%	300,000	4,438
Company VI	04/30/15	10/27/15	6.000%	200,000	1,973
Company VII	03/10/15	12/31/19	0.000%	70,000	-
				<u>\$ 1,570,000</u>	<u>\$ 64,905</u>

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 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 III is 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.

Company IV 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. The Organization also has an equity investment in this Company. (Company ii in Note 3)

Company V is a Pensacola-based company based on technology developed at the Florida Institute for Human and Machine Cognition for the prevention of blindness through early detection and diagnosis of diabetic retinopathy and glaucoma.

Note 7 – Convertible Notes Receivable, continued

Company VI 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. The Organization also has a loan receivable from this Company under the SCAP program. (Company 19 in Note 6)

Company VII is a Gainesville-based company based on technology developed at the University of Florida that is developing and commercializing Oqulus, an image analysis and telemedical system for the diagnosis of retinal vascular disease and vision loss associated with diabetes.

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.

Note 8 – Credit Quality of Receivables, continued

The recorded loans and notes receivable by credit quality indicator at June 30, 2015 are as follows:

<u>Internal Risk Rating</u>	<u>Loans and Interest Receivable</u>	<u>Notes and Interest Receivable</u>
Acceptable	\$ -	\$ -
Special mention	-	-
Substandard	8,609,763	1,634,905
	<u>\$ 8,609,763</u>	<u>\$ 1,634,905</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 only just commenced or 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 receivables through November 20, 2015, 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, 2015:

Computer equipment	\$ 10,784
Leasehold improvements	1,966
	<u>12,750</u>
Less: accumulated depreciation	(10,486)
	<u>\$ 2,264</u>

Depreciation expense amounted to \$2,313 for the year ended June 30, 2015.

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 which expired on October 31, 2013. This lease has been amended annually, expired on October 31, 2015, and was subsequently renewed under the same terms through October 31, 2016. Monthly rent under the amended agreement is \$1,556.

Note 10 – Commitments and Contingencies, continued

Operating Leases, continued

The Organization leases office space at Florida Atlantic Research and Development Park under a month-to-month lease through March 16, 2019. Monthly rent under the agreement is \$5,676.

Rent expense incurred in 2015 for all leases totaled \$47,291.

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, 2015, the Organization's bank balances exceeded FDIC limits by \$3,604,154. 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, 2015, 99% 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

Since January 2012, the Institute has engaged UF to provide personnel staffing services to the Organization at cost. The current agreement expires on June 30, 2016. The costs of these services for the year ended June 30, 2015 equaled \$1,346,342, and are included in the salaries and benefits expense category for the program services in the statement of functional expenses.

Note 14 – Subsequent Events

In July 2015, the DEO awarded \$5,500,000 to the Institute for the year ended June 30, 2016. Under the terms of the agreement, \$1,500,000 was allocated to the Institute for operations and \$4,000,000 was allocated for Fund investments. In addition, of the funds awarded, an administrative fee of \$200,000 was approved to be paid from the Fund's allocation to the Institute for its management of the Fund.

In July 2015, the Institute entered into a new Supplemental Equity Match Investment Agreement with Company 28 for its final portion of first round funding through an equity investment. The other portion of the funding was paid through SCAP in December 2014. The Institute provided seed funding in the amount of \$155,000 in exchange for 72,430 shares of common stock of Company 28.

In July 2015, the Institute awarded a 3-year seed funding convertible bridge note in the amount of \$200,000 to a Tampa-based company based on technology developed at the University of Florida that is a multi-city, multi-gym membership that allows consumers to attend the fitness classes they want without spending more than they need. The loan bears interest at an annual rate of 6.0%.

In August 2015, the Institute amended its agreement with Company VII and awarded an additional 4-year non-interest bearing convertible note in the amount of \$105,000. At maturity (December 31, 2019), the outstanding principal balance can be repaid or converted into 0.34% of the outstanding common stock of Company VII.

In August 2015, the Institute awarded a 5-year seed funding convertible promissory note in the amount of \$250,000 to a Pensacola-based company with applied technology developed at the Florida Institute for Human and Machine Cognition that has developed robots that combine the mechanical simplicity of a wheel with the compliance of a leg. The loan bears interest at 5.0%, and is convertible into equity upon the occurrence of certain triggering events.

In September 2015, the Institute entered into a Supplemental Equity Match Investment Agreement with a Gainesville-based company with applied technology developed at the University of Florida that will improve mobility for those living with a neurological disorder by using proprietary functional electrical stimulation techniques that improve patient outcomes and experiences. The Institute awarded seed funding in the amount of \$200,000 in exchange of 310,414 Class A Voting Units of the company.

In September 2015, the Institute entered into a new Supplemental Equity Match Investment Agreement with an Orlando-based company with applied technology developed at the University of Central Florida. The Company is developing a smartphone-enabled platform for first-level point-of-care diagnostics, allowing rapid detection of infections and diseases. The Institute awarded seed funding in the amount of \$300,000 in exchange of 46,539 Class A Membership Units of the company.

In September 2015, the Institute amended its agreement with Company 15 and awarded \$200,000 in additional seed funding in exchange for 56.88 shares of Series A Preferred Stock in Company 15.

Note 14 – Subsequent Events, continued

In October 2015, the Institute awarded a 2-year seed funding convertible promissory note in the amount of \$300,000 to a Miami Beach-based company based on technology developed at the University of Miami that is launching a novel drug discovery method, integrating a process that identifies pathogen gene targets with drug targets, with another process that matches molecules to drug targets. The loan bears interest at 6.0%, and is convertible into equity upon the occurrence of certain triggering events.

In November 2015, the Institute awarded a 3-year seed funding convertible promissory note in the amount of \$130,000 to a St. Petersburg-based company based on technology developed at Florida State University that is creating a sleep mask that suppresses the onset of preterm labor, stops contractions in preterm labor and provides monitoring and compliance capabilities. The loan bears interest at 5.0%, and is convertible into equity upon the occurrence of certain triggering events.

In November 2015, the Institute awarded a 2-year seed funding convertible promissory note with warrant in the amount of \$300,000 to a Miami-based company based on technology developed at the University of Central Florida that delivers facial recognition and emotion analysis through an easy to integrate software as a service (SaaS) product. The loan bears interest at 6% and is convertible into equity upon the occurrence of certain triggering events.

Note 15 – Company Cross References

Note 3 - Equity Investments

Company i	Shadow Health
Company ii	flexReceipts
Company iii	Enterade USA
Company iv	Biscayne Pharmaceuticals
Company v	EyeLife
Company vi	ClearSpec
Company vii	Entrinsic Health
Company viii	TransGenex
Company ix	Altavian
Company x	Vigilant Biosciences

Note 6 - Seed Funding Loans

Company 1	NanoPhotonica
Company 2	Shadow Health
Company 3	Ocoos/Advanced Travl
Company 4	GLG Pharma
Company 5	eTect
Company 6	Insero Health
Company 7	Sun BioPharma
Company 8	KeriCure
Company 9	Heart Genomics
Company 10	Modulation Therapeutics
Company 11	Prevacus
Company 12	Bing Energy
Company 13	Garmor
Company 14	NeuroNet Learning
Company 15	BioFront Technologies
Company 16	Biscayne Pharmaceuticals
Company 17	Clear Spec
Company 18	Vigilant Biosciences
Company 19	OB Medical Company
Company 20	Spyglass Technologies
Company 21	Paracosm
Company 22	TruVitals
Company 23	Coefficient
Company 24	Integene
Company 25	US BioPlastics
Company 26	Cool Flow Dynamics
Company 27	Powers Medical Devices
Company 28	TAO Connect

Note 7 - Convertible Notes

Company I	eTect
Company II	Comm-N-Sense
Company III	RxMP Therapeutics
Company IV	flexReceipts
Company V	IRIS
Company VI	OB Medical Company
Company VII	Sentinel Diagnostics

SUPPLEMENTAL SCHEDULE

Institute for Commercialization of Public Research, Inc.
 Consolidated Schedule of Expenditures of State Financial Assistance
 For the Year Ended June 30, 2015

State Grantor, Pass-Through Entity, State Project Title	CFSA Number	Contract / Grant Number	Expenditures
State of Florida Department of Economic Opportunity (DEO)			
General Revenue:			
Institute for the Commercialization of Public Research	40.034	SB14-002	\$ 1,500,000
Economic Enhancement and Development Trust Fund Trust Fund:			
Institute for the Commercialization of Public Research	40.034	SB14-002	<u>3,818,973</u>
Total Expenditures of State Financial Assistance			<u>\$ 5,318,973</u>

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

Note 1 – Significant Accounting Policies

The accompanying consolidated 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 consolidated schedule of expenditures of state financial assistance was provided to subrecipients.

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***

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, 2015, and the related consolidated statements of activities, functional expenses, 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 20, 2015.

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.

Continued from previous page

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*.

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.

Handwritten signature in black ink that reads "Douglas Carlson LLP". The signature is written in a cursive, flowing style.

Boca Raton, Florida
November 20, 2015

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, 2015. 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, 2015.

Continued from previous page

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.

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 20, 2015

Institute for Commercialization of Public Research, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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>
40.034	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 Commercialization of Public Research, Inc.
Schedule of Findings and Questioned Costs, continued
For the Year Ended June 30, 2015

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.