

**Institute for Commercialization
of Public Research, Inc.**

**Consolidated Financial Statements
with Supplemental Schedule
and Information**

June 30, 2018

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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 as of June 30, 2018, 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.

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 as of June 30, 2018, 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 October 30, 2018, 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
October 30, 2018

Institute for Commercialization of Public Research, Inc.
Consolidated Statement of Financial Position
June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash	\$ 735,737	\$ 13,000	\$ 2,205,266	\$ 2,954,003
Loan interest receivable	-	-	37,000	37,000
Prepaid expenses and other assets	8,495	-	-	8,495
Total current assets	<u>744,232</u>	<u>13,000</u>	<u>2,242,266</u>	<u>2,999,498</u>
Noncurrent assets:				
Seed funding loans and related interest, net	-	-	5,449,088	5,449,088
Convertible notes and related interest	-	-	3,863,655	3,863,655
Equity investments	-	-	10,816,995	10,816,995
Deposits	1,100	-	-	1,100
Total noncurrent assets	<u>1,100</u>	<u>-</u>	<u>20,129,738</u>	<u>20,130,838</u>
Total assets	<u>\$ 745,332</u>	<u>\$ 13,000</u>	<u>\$ 22,372,004</u>	<u>\$ 23,130,336</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	\$ 291,097	\$ -	\$ 245	\$ 291,342
Loan payable, related party	17,000	-	-	17,000
Deferred seed funding fee revenue	22,732	-	-	22,732
Total current liabilities	<u>330,829</u>	<u>-</u>	<u>245</u>	<u>331,074</u>
Net assets	<u>414,503</u>	<u>13,000</u>	<u>22,371,759</u>	<u>22,799,262</u>
Total liabilities and net assets	<u>\$ 745,332</u>	<u>\$ 13,000</u>	<u>\$ 22,372,004</u>	<u>\$ 23,130,336</u>

See accompanying notes to consolidated financial statements.

Institute for Commercialization of Public Research, Inc.
Consolidated Statement of Activities
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and other support:				
Contributions	\$ 15,000	\$ 5,237	\$ -	\$ 20,237
Gain on sale of equity investments	1,278,987	-	-	1,278,987
Net assets released from restrictions	17,237	(17,237)	-	-
Total revenue and other support	<u>1,311,224</u>	<u>(12,000)</u>	<u>-</u>	<u>1,299,224</u>
Expenses:				
Program services	1,096,695	-	721,973	1,818,668
Support services	287,095	-	-	287,095
Total expenses	<u>1,383,790</u>	<u>-</u>	<u>721,973</u>	<u>2,105,763</u>
Change in net assets before other income	<u>(72,566)</u>	<u>(12,000)</u>	<u>(721,973)</u>	<u>(806,539)</u>
Other income:				
Interest income	-	-	541,808	541,808
Fee income	32,325	-	42,247	74,572
Total other income	<u>32,325</u>	<u>-</u>	<u>584,055</u>	<u>616,380</u>
Change in net assets	(40,241)	(12,000)	(137,918)	(190,159)
Net assets, beginning of year	<u>454,744</u>	<u>25,000</u>	<u>22,509,677</u>	<u>22,989,421</u>
Net assets, end of year	<u>\$ 414,503</u>	<u>\$ 13,000</u>	<u>\$ 22,371,759</u>	<u>\$ 22,799,262</u>

See accompanying notes to consolidated financial statements.

Institute for Commercialization of Public Research, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Support Services	Total Expenses
	<u> </u>	<u> </u>	<u> </u>
Salaries and benefits	\$ 770,969	\$ 192,742	\$ 963,711
Loan loss expense	721,973	-	721,973
Professional fees	134,658	70,147	204,805
Miscellaneous	65,028	20	65,048
Entrepreneur in residence activity	55,348	-	55,348
Rent	31,360	3,485	34,845
Travel and entertainment	17,124	4,281	21,405
Insurance	-	8,034	8,034
Advertising	6,231	1,558	7,789
Subscriptions	4,710	1,178	5,888
Conferences and meetings	3,429	857	4,286
Telephone	3,360	840	4,200
Government relations	-	3,180	3,180
Office supplies	2,496	277	2,773
Postage and printing	1,982	496	2,478
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 1,818,668</u>	<u>\$ 287,095</u>	<u>\$ 2,105,763</u>

See accompanying notes to consolidated financial statements.

Institute for Commercialization of Public Research, Inc.
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Change in net assets	\$ (190,159)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Write-off of uncollectable loans	354,872
Noncash interest income	(160,576)
Changes in operating assets and liabilities:	
Loan interest receivable	(7,891)
Prepaid expenses and other current assets	3,248
Convertible notes and related interest	1,127,539
Equity investments	(862,200)
Grants receivable	1,400,000
Deposits	400
Accounts payable and accrued expenses	(100,642)
Deferred seed funding fee revenue	(42,247)
Net cash provided by operating activities	<u>1,522,344</u>
Net increase in cash	1,522,344
Cash at beginning of year	<u>1,431,659</u>
Cash at end of year	<u>\$ 2,954,003</u>

See accompanying notes to consolidated financial statements.

Note 1 – Organization and Purpose

The Institute for Commercialization of Public Research, Inc. (the “Institute”) is a nonprofit entity, 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 loan 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”) implement seed funding programs with investment horizons that span three (3) to seven (7) years.

Effective July 1, 2018, the Institute changed its name to the Institute for Commercialization of Florida Technology, Inc. due to legislation (HB 1285) passed during the 2017/18 session. The new legislation authorized the Institute to hire a private fund manager to manage the portfolio assets and broadened the scope of the Institute to enable funding of qualified innovation companies that are not commercializing publicly funded research.

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 consolidated 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

Institute

SCAP

In September 2011, the Institute was awarded a grant from the Department of Economic Opportunity of State of Florida (“DEO”) in nonrecurring funds in the amount of \$10,000,000 to administer SCAP through a performance-based contract. The purpose of the SCAP was 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 provided 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 during the year ended June 30, 2012.

During June 2012, the Institute and the DEO entered into an amendment to the original SCAP agreement. According to the terms of the amendment, 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 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 funding, and to provide \$50,000 to \$300,000 of seed funding investments to qualifying companies with a one-to-one private sector match, with the potential for 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 types of 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.

During October 2014, the Fund and the DEO entered into an amendment to the original agreement. According to the terms of the amendment, the Organization was awarded another \$5,500,000 for the period from 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 during the year ended June 30, 2015.

Note 2 – Significant Accounting Policies, continued

Fund, continued

During July 2015, the Fund was awarded an additional \$5,500,000 from the DEO for the period from July 1, 2015 to June 30, 2016. According to the terms of the grant agreement, \$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 consolidated statement of activities during the year ended June 30, 2016.

During July 2016, the Fund was awarded an additional \$5,500,000 from the DEO for the period from July 1, 2016 to June 30, 2017. According to the terms of the grant agreement, \$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 consolidated statement of activities during the year ended June 30, 2018.

In June 2017, additional funding for the Institute and the Fund for fiscal 2018 was vetoed by the Florida Governor. As a result, neither the Institute nor the Fund received further funding to sustain ongoing operations. See Note 3.

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, 2018. 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.

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

Seed Funding Loans and Related Interest

Seed funding loans provided through SCAP are comprised of five-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.

Loans are considered to be impaired if full principal and 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 loan losses at June 30, 2018 was \$1,500,000. 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

Note 2 – Significant Accounting Policies, continued

Seed Funding Loans and Related Interest, continued

likelihood of recovery of the carrying amount of the financial instruments. This allowance represents management's best estimate at June 30, 2018 based upon these periodic reviews.

During the year ended June 30, 2018, the seed loans and related interest to two companies were deemed uncollectible and written-off to loan loss expense.

Convertible Notes and Interest Receivable

The Fund issued three (3) to five (5) year-term convertible notes to qualified applicants. Convertible notes are stated at their unpaid principal balances and accrue interest at the fixed rate based upon the interest rate of the matching investment 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 and 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. During the year ended June 30, 2018, the convertible note to one company was deemed uncollectible and written-off to loan loss expense.

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 was written-off.

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 identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the consolidated statement of financial position. The Organization has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, the Organization would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Organization's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

Note 2 – Significant Accounting Policies, continued

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.

New Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14 Not-For-Profit (“NFP”) Entities (Topic 958), *Presentation of Financial Statements of Not-For-Profit Entities*. ASU No. 2016-14 amends guidance on the current net asset classification requirements and the information presented in the consolidated financial statements and notes about a NFP’s liquidity, financial performance and cash flows. ASU No. 2016-14 replaces the currently required three net asset classes with two net asset classes, net assets with donor restrictions and net assets without donor restrictions. Other amendments within ASU No. 2016-14 will improve the usefulness of information provided to donors, grantors, creditors and other users of a NFP’s financial statements. The new guidance is effective for fiscal years beginning on or after January 1, 2018 and early adoption is permitted. The Organization is currently evaluating the impact of the adoption of ASU No. 2016-14 on its consolidated financial statements and disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the classification of restricted cash in the consolidated statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning on or after January 1, 2018. Early adoption is permitted. The Organization does not expect the adoption of ASU No. 2016-18 to have a material effect on the consolidated financial statements and disclosures.

Date of Management’s Review

The Organization evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through October 30, 2018, the date the consolidated financial statements were available to be issued.

Note 3 – Sustainability and Management’s Plans

Historically the Organization funded its activities by moneys awarded by the DEO. Funding for the Organization’s year ended June 30, 2018 was originally included in both the House and Senate budgets for a total of \$5,500,000. However, funding was vetoed on June 2, 2017. Management is working on finding alternative sources of funding, which could include proceeds from SCAP loan repayments and investment returns, so that the Organization can continue to deliver on its mission. Management instituted budget cuts that include reductions in staff and operating expenses salary reductions. As directed by HB 1285 and signed by the Florida Governor on March 30, 2018, the Institute will engage a private fund manager to maximize investment returns to fund future activities.

Institute for Commercialization of Public Research, Inc.
Notes to Consolidated Financial Statements

Note 4 – Equity Investments

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

Equity investments consist of the following at June 30, 2018:

Company	Investment Type	Total
Altavian	Series A Preferred Stock	\$ 312,919
AmendSurgical	Series Seed Preferred Stock	304,980
Aviana Molecular Technologies	Class A Common Stock	300,000
Aviana Molecular Technologies	Class A Membership Units	200,000
Biim (previously EyeLife)	Class B Common Stock	299,972
Biim (previously EyeLife)	Class B Common Stock	175,000
BioFront Technologies	Series A Preferred Stock	200,000
BioTork, LLC	Preferred Membership Units	300,000
Biscayne Pharmaceuticals	Preferred Stock	200,000
BlinkBio, Inc.	Common Stock	300,000
BluAzu	Preferred Stock	187,000
BluAzu	Preferred Stock	113,000
ClearSpec	Class C Member Units	137,500
ClearSpec	Class C Member Units	52,500
CurtissHealthcare	Common Stock	319,003
DominionAestheticTechnologies	Series A Preferred Stock	300,000
Elevated (previously Candidate.Guru)	Series A Preferred Stock	300,000
Entrinsic Health (previously Enterade U.S.A.)	Class A Preferred Stock	300,000
Entrinsic Health (previously Enterade U.S.A.)	Class A Preferred Stock	200,000
flexReceipts	Class A Common Stock	300,000
flexReceipts	Series Seed Preferred Stock	221,567
InteCrowd	Class A Voting Stock	300,000
InteCrowd	Class A Voting Stock	200,000
IRIS	Series A-1 Preferred Stock	341,125
IRIS	Series A-1 Preferred Stock	78,144
Kairos AR	Series B Preferred Stock	195,000
Kairos AR	Series B Preferred Stock	326,433
Leven Labs, Inc.	Series Seed Preferred Stock	300,000
Mend VIP	Class B Nonvoting Stock	300,000
Mine Survival, Inc.	Common Stock	300,000
Mine Survival, Inc.	Common Stock	142,500
Myolyn, LLC	Class A Voting Units	200,000
Myolyn, LLC	Class A Voting Units	100,000
Myolyn, LLC	Class A Voting Units	62,500
OB Medical	Series A-2 Preferred Stock	211,079
Ovation Diagnostics, LLC	Class A Membership Units	300,000
Panacea Oyster Co-Op	Series A Convertible Preferred Stock	300,000
Partnering in Innovation, Inc.	Common Stock	300,000
Shadow Health	Common Stock	200,000
Social Evidence	Class B Nonvoting Stock	300,000
Stone Vault, LLC	Series A Investor Units	175,000
TAO Connect	Common Stock	155,000
TAO Connect	Series A-2 Preferred Stock	200,000
TransGenex	Common Stock	300,000
VetCV	Common Stock	300,000
Vigilant Biosciences	Series B Preferred Stock	206,773
		<u>\$ 10,816,995</u>

Note 4 – Equity Investments, continued

Altavian 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.

Amend Surgical is an Alachua based medical device company with newly licensed technology developed at the University of Florida. 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, 2018.

Aviana Molecular Technologies is an Orlando based company based on technology developed at the University of Central Florida that is developing a smartphone-enabled platform for first-level point-of-care diagnostics, allowing rapid detection of infections and diseases.

Biim (previously EyeLife) is a Boca Raton based company based on technology developed at Florida Atlantic University that is developing 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. A portion of Biim's seed funding was originally in the form of a convertible note that was converted to equity during the year ended June 30, 2016.

BioFront Technologies is a Tallahassee based company with technology developed at Florida State University that produces diagnostic kits and reagents that detect viral and allergenic proteins for food safety and infectious disease markets. BioFront Technologies also has a loan under the SCAP program.

BioTork, LLC is a Gainesville based company, with technology developed at the University of Florida that is developing microbial strains and bioconversion processes to produce environmentally-friendly biochemicals.

Biscayne Pharmaceuticals is a Miami based pharmaceutical company with technology developed at the University of Miami that is discovering and developing novel therapies based on growth hormone-releasing hormone (GHRH) analogs. Biscayne Pharmaceuticals also has a loan under the SCAP program.

BlinkBio, Inc. is a Jupiter based company, with technology developed at The Scripps Research Institute that is developing proprietary drug conjugates for the treatment of cancer and other diseases.

BlueAzu is a Gainesville based company, with technology developed at the University of Florida that has created Scout, a new location-tracking and status-reporting platform that integrates GPS, cellular, accelerometer, and Bluetooth technologies into a small tracking device that links to an app on the user's smartphone.

ClearSpec is a Boca Raton based company based on technology developed at the University of South Florida that is developing advanced speculum solutions that enable improved cervical examinations and improve patient outcomes. ClearSpec also has a loan under the SCAP program.

Note 4 – Equity Investments, continued

Curtiss Healthcare is a Gainesville based company, with technology developed at the University of Florida that is developing orally delivered novel vaccines to prevent critical infectious diseases in animals and humans. 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, 2018.

Dominion Aesthetic Technologies, Inc. is an Orlando based company, with technology developed at the University of Central Florida that is developing a non-invasive, laser-based aesthetic system with initial target applications of body sculpting, skin rejuvenation, and skin resurfacing.

Elevated (previously Candidate.Guru) is a Boca Raton based company, with technology developed at the Florida Institute for Human and Machine Cognition that uses big data analytics to predict a culture fit between corporate hiring managers and prospective job candidates without the need for surveys and assessment tools.

Entrinsic Health (previously Enterade U.S.A.) 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.

flexReceipts 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. A portion of the company's seed funding was originally in the form of a convertible note that was converted to equity during the year ended June 30, 2016.

InteCrowd is an Orlando based company based on technology developed at the University of Central Florida that solves specific payroll integration problems in the Workday SaaS ecosystem and has a "Golden Ticket" that will ensure high barriers to entry and a guaranteed market.

IRIS 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. This company's seed funding was originally in the form of a convertible note that was converted to equity during June 2017.

Kairos AR is 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. A portion of the company's seed funding was originally in the form of a convertible note that was converted to equity during June 2017.

Leven Labs, Inc. is a Gainesville based company based on technology developed at Florida State University that provides adblocker analytics solutions for websites that are suffering revenue loss because of the proliferation of adblocker apps.

Note 4 – Equity Investments, continued

Mend VIP is an Orlando based company with technology developed at the University of Central Florida that is modernizing and improving patient experience while capturing lost revenue for physicians through proprietary triage, no-wait, and telehealth technology.

Mine Survival, Inc. is a Panama City based company with technology developed at Gulf Coast State College that offers cutting-edge Self Contained Self Rescuers (SCSRs) for miner and first responder safety. The first product is a closed-circuit escape vest with a respirator that provides coal miners with life-saving oxygen during emergency situations.

Myolyn, LLC is a Gainesville based company based on 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.

OB Medical is a Gainesville based company based on technology developed at the University of Florida that has developed a system that measures labor contractions as well as maternal and fetal heart rates. The product is an advanced, wireless electronic maternal-fetal monitor that will provide an advanced alternative to the current external sensors. 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, 2016. OB Medical also has a loan under the SCAP program.

Ovation Diagnostics is a Boca Raton based company, with technology developed at the University of South Florida that is focused on a diagnostic test to be used in the screening, prognosis, therapy selection, and monitoring of ovarian cancer.

Panacea Oyster Co-op Corporation is a Crawfordville based company, with technology developed at Tallahassee Community College – Wakulla Environmental Institute that is cultivating a new full water column oyster farming community in Apalachee Bay.

Partnering in Innovation, Inc. is an Orlando based company, with technology developed at the NASA/Kennedy Space Center that is developing a novel method of CO₂ capture that will satisfy unfulfilled demand.

Shadow Health is a Gainesville based company with technology developed at the University of Florida that provides a platform for medical, nursing and allied health students to engage in standardized simulated clinical experiences where the students use their computers to orally and physically examine a patient. These clinical simulations provide opportunities to develop better bedside manner, improve physical examination procedures and take better patient histories.

Social Evidence is a Gainesville based company based on technology developed at the Florida Institute for Human and Machine Cognition that is a software application that provides legal professionals support in the legally defensible collection, investigation, and analysis of relevant social media history.

Stone Vault, LLC is a Gainesville based company, with technology developed at the University of South Florida that is a patented cloud-based software solution that provides small tax preparation firms secure IRS compliant document delivery, sharing, signature, retrieval and client invoicing.

Note 4 – Equity Investments, continued

TAO Connect 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. The company's system allows treatment at half the cost of traditional face-to-face psychotherapy, with no decrease in income for the therapist, resulting in improved patient outcomes. TAO Connect also has a loan under the SCAP program.

TransGenex 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™).

VetCV is a Pensacola based company, with technology developed at the Florida Institute for Human and Machine Cognition that provides a technology-based solution that helps our nation's veterans and caregivers control, organize, and utilize their military, medical, personal information, careers, and access support resources and benefits during and after their service.

Vigilant Biosciences 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 December 2014. Vigilant Biosciences also has a loan under SCAP program.

Note 5 – Fair Value Measurements

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

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

- Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization 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.

Note 5 – Fair Value Measurements, continued

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.

At June 30, 2018, the Fund has investments in early stage; non-publicly traded companies which are carried at fair value. All equity investments are measured at fair value on a recurring basis based on Level 3 of the four value hierarchy. In general, the Organization's funded cost initially is considered the investments' fair value 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 measurement 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.

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.

Note 5 – Fair Value Measurements, continued

The following table shows the change in the fair value of the Level 3 assets for the year ended June 30, 2018. An asset is classified as Level 3 if unobservable inputs are significant relative to the overall fair value measurement of the asset.

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

	2018
June 30, 2017	\$ 9,954,795
Realized gains or (losses)	-
Unrealized gains or (losses)	-
Loan loss expense	-
Purchases, issuance, and settlements	1,374,483
Transfers in and/or out of Level 3	(512,283)
June 30, 2018	<u>\$ 10,816,995</u>

Note 6 – Seed Funding Loans Receivable

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

Seed funding loans consist of the following SCAP loans at June 30, 2018:

Recipient	Origination Date	Maturity Date	Interest Rate	Loan Principal	Accrued Interest	Deferred Loan Fees
BioFront Technologies	05/10/13	01/04/19	4.250%	\$ 150,000	\$ 32,781	\$ 95
BioFront Technologies	09/30/13	01/04/19	5.000%	76,000	18,042	-
Biscayne Neurotherapeutics (formerly Insero Health)	08/29/12	11/28/18	4.150%	300,000	16,519	-
Biscayne Pharmaceuticals	06/07/13	06/07/18	4.250%	300,000	64,586	-
ClearSpec	06/27/13	12/27/18	4.250%	300,000	62,790	107
Cool Flow Dynamics	08/26/14	08/26/19	4.880%	300,000	41,631	1,730
Garmor	04/26/13	10/26/18	4.250%	300,000	66,635	-
GLG Pharma	05/10/12	10/31/18	4.500%	100,000	12,335	-
GLG Pharma	10/16/12	10/31/18	4.500%	200,000	51,369	-
Heart Genomics	12/31/12	12/31/18	4.250%	300,000	60,148	-
Integene	03/26/14	03/26/19	5.250%	50,000	-	1,901
Integene	08/07/14	03/26/19	5.250%	250,000	-	2,386
KeriCure	11/16/12	11/16/18	4.125%	300,000	17,916	-
Modulation Therapeutics	01/29/13	10/31/18	4.125%	295,128	-	-
NanoPhotonica	11/02/11	11/02/18	4.625%	300,000	8,386	-
NeuroNet Learning	05/02/13	03/31/19	4.500%	300,000	69,713	-
OB Medical	08/30/13	08/30/18	5.000%	75,000	54,401	185
OB Medical	12/04/13	08/30/18	5.000%	225,000	17,147	160
Occipital (formerly Paracosm)	05/17/17	11/20/22	4.900%	354,974	19,491	5,819
Ocoos/Advanced Travl	04/26/12	10/26/18	4.500%	300,000	79,648	-
Powers Medical Devices	07/29/14	07/29/19	5.000%	300,000	-	3,732
Prevacus	02/25/13	11/18/18	4.500%	300,000	16,967	5,486
Sun BioPharma	10/26/12	05/01/19	4.125%	300,000	31,167	-
TAO Connect	12/04/14	12/04/19	4.750%	144,000	24,437	1,028
Vigilant Biosciences	07/26/13	07/26/19	4.250%	300,000	62,877	103
				<u>\$ 6,120,102</u>	<u>\$ 828,986</u>	<u>\$ 22,732</u>

* Accrued interest collected during the year ended June 30, 2018.

Note 6 – Seed Funding Loans Receivable, continued

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

Biscayne Neurotherapeutics (formerly Insero Health) is a Miami based company, with technology licensed at the University of South Florida that discovers and develops therapies derived from natural products to address significant unmet needs in epilepsy and related neurological diseases. The company develops novel therapies for neurodegenerative diseases that will help patients better manage their condition and achieve greater control over their lives. The company is also developing a number of other novel classes of small molecule compounds focused on neurological disease applications.

Biscayne Pharmaceuticals is a Miami-based pharmaceutical company, with technology developed at the University of Miami that is discovering and developing novel therapies based on growth hormone-releasing hormone (GHRH) analogs.

ClearSpec is a 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.

Cool Flow Dynamics 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.

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

GLG Pharma 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.

Heart Genomics is a 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. The new diagnostic tests will provide personalized and individualized information to each patient and their physician through the genomic analysis of the patient's heart tissue or blood sample, and with this information, the heart patient and physician can make substantially improved and clear treatment decisions.

Note 6 – Seed Funding Loans Receivable, continued

Integene 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.

KeriCure is a Tampa based company, with research conducted at the University of South Florida that is engaged in development and commercialization of advanced platform polymer technology. The company's wound care technology delivers a water-based solution, ultimately providing hydration, cooling, and natural debridement to the wound bed while maintaining a moist wound environment. By offering a variety of topical products, the company is designed to promote healing, prevent infection, and reduce associated costs for care.

Modulation Therapeutics is a 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.

NanoPhotonica is an 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.

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

OB Medical is a Gainesville based company, based on technology developed at the University of Florida that has developed a system that measures labor contractions as well as maternal and fetal heart rates. The product is an advanced, wireless electronic maternal-fetal monitor that will provide an advanced alternative to the current external sensors.

Occipital (formerly Paracosm) 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. Its software allows users to scan a space using commercially available cameras, upload their data to a cloud infrastructure, which converts the raw scan to a CAD file and download their model for use in its consumer's 3D CAD/Modeling tool of choice. During the year ended June 30, 2017, this loan was refinanced through the new company name of Occipital.

Ocoos/Advanced Travl is an 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.

Powers Medical Devices 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.

Note 6 – Seed Funding Loans Receivable, continued

Prevacus is a Tallahassee based company, with technology developed at Florida State University that 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.

Sun BioPharma is a Gainesville based company, with technology discovered at the University of Florida that is engaged in advancing the commercial development of a novel drug compound targeting pancreatic cancer. The new drug candidate targets DNA replication in the acinar/ductal cells of the pancreas from which cancerous tumors typically emerge. In animal models at two independent laboratories, the drug has demonstrated near 100% suppression of transplanted human pancreatic cancer, including metastatic pancreatic cancer growth.

TAO Connect 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.

Vigilant Biosciences is Miami based 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.

Note 7 – Convertible Notes

Convertible notes consist of the following at June 30, 2018:

Recipient	Origination Date	Maturity Date	Interest Rate	Loan Principal	Accrued Interest
Auxadyne	07/29/16	07/29/19	5.000%	\$ 300,000	\$ 28,521
DealCoachPro	03/24/17	06/30/19	8.000%	180,000	18,148
DigiGroup Holdings	08/17/16	02/18/19	12.000%	300,000	66,970
FreshSurety	06/16/17	01/16/19	6.000%	300,000	18,542 *
Genetic Networks	10/29/15	01/25/19	6.000%	300,000	34,434 *
KynderMed	11/09/15	11/09/20	5.000%	130,000	17,114
KynderMed	03/31/17	03/31/22	5.000%	60,000	3,723
Mine Survival, Inc.	06/02/17	01/06/19	5.250%	57,500	3,226
Multicore Photonics	06/02/17	12/01/18	10.000%	100,000	10,685
Multicore Photonics	01/06/18	12/01/18	10.000%	52,000	2,536
Multicore Photonics	06/22/18	10/10/19	10.000%	148,000	324
Myolyn LLC	08/31/17	05/31/19	5.000%	62,500	2,569
Myolyn LLC	12/22/17	12/22/19	5.000%	25,000	651
Omninox Corp.	10/31/16	10/31/20	8.000%	100,000	13,238
Rapid Genomics	11/30/15	11/30/19	10.000%	300,000	43,645
RxMP Therapeutics	07/24/14	02/28/19	6.500%	300,000	76,611
RxMP Therapeutics	02/29/16	02/28/19	4.000%	200,000	18,608
SegAna LLC	10/27/16	10/27/18	12.000%	100,000	19,989
SegAna LLC	04/20/17	04/20/19	12.000%	200,000	28,208
Sentinel Diagnostics	03/10/15	12/31/19	0.000%	70,000	-
Sentinel Diagnostics	08/07/15	12/31/19	0.000%	105,000	-
Verigo (previously Comm-N-Sense)	6/6/2014	n/a	6.500%	- **	30,167
Verigo (previously Comm-N-Sense)	12/04/14	n/a	6.500%	- **	29,415
Verigo (previously Comm-N-Sense)	11/04/16	n/a	6.500%	-	6,331
				<u>\$ 3,390,000</u>	<u>\$ 473,655</u>

* Non-interest bearing.

** Principal collected on note during the year ended June 30, 2018.

Note 7 – Convertible Notes, continued

Auxadyne is a Keystone Heights based company, with technology developed at Florida State University that creates commercially viable auxetic foam with applications in a variety of markets.

DigiGroup is a Pensacola based company, with technology developed at the Florida Institute for Human and Machine Cognition that is creating a single, comprehensive CMS dashboard eliminating the need for third party systems and fees while creating effective, real-time visualization and analytics reporting tools.

DealCoachPro is a Delray Beach based company, with technology developed at the Florida Institute for Human and Machine Cognition that is developing a sales acceleration software tool designed to help B2B sales teams prioritize large non-transactional deals through various mapping strategies.

FreshSurety is a Winter Park based company, with technology developed at the University of Florida that is an Internet-of-Things technology that reports real-time freshness based on produce respiration rates that enable retailers to market higher quality products with less waste.

Genetics Networks is 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. This combined data is then compiled in a database, which will significantly speed up time to market for pharma and allow the company to eventually bring its own drugs to market.

KynderMed is 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.

Mine Survival is a Panama City based company, with technology developed at Gulf Coast State College that offers cutting-edge Self Contained Self Rescuers (SCSRs) for miner and first responder safety. The first product is a closed-circuit escape vest with a respirator that provides coal miners with life-saving oxygen during emergency situations.

Multicore Photonics is an Oviedo based company, with technology developed at the University of Central Florida that is developing next generation industrial sensors that use light to monitor physical processes and environmental conditions. Their first product is a nitrous oxide sensor for use in diesel engines.

Myolyn is a Gainesville based company based on 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.

OmniNox is a Gainesville based company, with technology developed at the University of Florida that is developing software solutions using a question recommendation engine that increases teacher productivity and improves educational outcomes.

Rapid Genomics is a Gainesville based company, based on technology developed at the University of Florida that creates low-cost, large scale, high-throughput genotyping platforms for any species and any number of samples to increase efficiency in agribusiness.

Note 7 – Convertible Notes, continued

RxMP Therapeutics 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.

SegAna is an Orlando based company, with technology developed at the University of Central Florida that is creating a four-dimensional lung phantom and simulator for radiotherapy.

Sentinel Diagnostics 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.

Verigo (previously Comm-N-Sense) 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. The company was acquired in March 2018, with milestone payments and accrued interest to be collected by the Fund.

Note 8 – Credit Quality of Loans and Convertible Notes

The Organization's seed funding and convertible loans are from start-up and early stage companies that do not have positive cash flows. The Organization obtains 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 Loans and Convertible Notes, continued

The recorded loans and notes receivable by credit quality indicator at June 30, 2018 are as follows:

Internal Risk Rating	Loans and Interest Receivable	Notes and Interest Receivable
Acceptable	\$ -	\$ -
Special mention	-	-
Substandard	5,449,088	3,863,655
	<u>\$ 5,449,088</u>	<u>\$ 3,863,655</u>

Management has rated the credit quality of its loans and convertible notes 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 loans and notes through October 30, 2018, the date the consolidated financial statements were available to be issued.

Note 9 – Commitments and Contingencies

Operating Leases

The Organization leased 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 was \$400. This lease was terminated on July 31, 2017.

The Organization leases office space at the Florida Innovation Hub at the University of Florida under a lease agreement originally effective October 31, 2011 that amends annually. The current lease agreement, under the same terms, was extended through October 31, 2017. Monthly rent under the amended agreement was \$1,916. This lease was extended through January 1, 2018 and was amended in January 2018 to reduce the leased space and adjust the monthly rent to \$900. In June 2018, the lease was amended to further reduce the leased space and adjust the monthly rent to \$590 and extend the lease term through October 31, 2018.

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 \$1,680. In April 2018, the lease was amended to reduce the leased space and monthly rent to \$1,030.

Rent expense incurred in 2018 for all leases totaled \$34,845.

Note 10 – Concentrations

Cash

The Organization maintains its cash in bank deposit accounts with one financial institution, which at times, may exceed Federal Deposit Insurance Corporation (“FDIC”) limits of \$250,000.

At June 30, 2018, the Organization’s bank balances exceeded FDIC limits by \$2,558,862. The Organization maintains its funds in a qualified public depository financial institution as designated by Florida’s Chief Financial Officer to accept funds from governmental units in the State of Florida. To date, the Organization has not experienced any losses on such accounts.

Note 11 – 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 Chair of the Board of Directors of the Organization was previously Head of Innovation with a company that has equity ownership interests in several companies that have been funded by the Organization.

One of the members of the Board of Directors of the Organization serves as Assistant Vice President for Technology Commercialization and as Director of the Office of Technology Licensing at the University of Florida (“UF”).

One of the members of the Board of Directors of the Organization is affiliated with a firm that has an investment in one of the companies that was funded by the Organization.

Note 12 – 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, 2019. The costs of these services for the year ended June 30, 2018 equaled \$963,711, and are included in the salaries and benefits expense category for the program services in the consolidated statement of functional expenses.

On March 10, 2017, the Organization entered into a promissory note with its CEO in the amount of \$17,000. The note matured on March 31, 2018 and accrued interest at 1%. The note has not been amended and remains outstanding.

Note 13 – Subsequent Events

In July 2018, the Institute entered into an amended extension agreement with Vigilant Biosciences for its SCAP loan that matured on July 26, 2018. The amended agreement extended the maturity date to July 26, 2019.

In July 2018, the Fund entered into a second extension agreement with RxMP Therapeutics for its convertible note that matured on July 24, 2017. The first extension agreement extended the maturity date to July 24, 2018. The second extension agreement extended the maturity date to February 28, 2019.

In July 2018, the Fund entered into a third extension agreement with Genetic Networks for its convertible note that matured on October 29, 2017. The first extension agreement extended the maturity date to January 27, 2018. The second extension agreement extended the maturity date to July 27, 2018. The third extension agreement extended the maturity date to January 25, 2019.

In July 2018, the Fund entered into an extension agreement with Mine Survival, Inc. for its convertible note that matured on July 6, 2018. The amended agreement extended the maturity date to January 6, 2019.

In July 2018, SegAna converted its two convertible notes with the Fund into Series A Preferred Units.

In July 2018, the Fund entered into a first amendment to the convertible promissory note with Rapid Genomics dated December 3, 2015, which extends the maturity date to November 30, 2019.

In August 2018, Kairos AR, Inc. converted its Series B Preferred Stock to Kairos Coin cryptocurrency in an Initial Coin Offering.

In August 2018, the Fund entered into a first amendment to the convertible promissory note with KynderMed dated March 31, 2017 which extends the maturity date to March 31, 2020.

In August 2018, the Fund entered into a second amendment to the convertible promissory note with KynderMed with an original convertible promissory note dated November 9, 2015 and the first amendment dated March 31, 2017. The second amendment extends the maturity date to March 31, 2022.

In September 2018, OB Medical was acquired in a private transaction.

In September 2018, the Institute entered into an amended extension agreement with BioFront for its SCAP loans that matured on September 30, 2018. The amended agreement extended the maturity date for both loans to January 4, 2019.

In September 2018, the Institute entered into an amended extension agreement with NeuroNet Learning for its SCAP loan that matured on September 30, 2018. The amended agreement extended the maturity date to March 31, 2019.

In October 2018 Biscayne NeuroTherapeutics, formerly known as Insero, was acquired by Supernus.

Note 13 – Subsequent Events, continued

In October 2018, the Institute entered into an amended extension agreement with Garmor for its SCAP loan that was due to mature on October 26, 2018. The amended agreement extended the maturity date to April 26, 2019.

In October 2018, the Institute entered into an amended extension agreement with GLG Pharma for its SCAP loans that were due to mature on October 31, 2018. The amended agreement extended the maturity dates to April 30, 2019.

In October 2018, the Institute entered into an amended extension agreement with Modulation Therapeutics for its SCAP loan that was due to mature on October 31, 2018. The amended agreement extended the maturity date to April 30, 2019.

In October 2018, the Institute entered into an amended extension agreement with Ocoos for its SCAP loan that was due to mature on October 26, 2018. The amended agreement extended the maturity date to April 26, 2019.

Supplemental Schedule

Institute for Commercialization of Public Research, Inc.
 Consolidated Schedule of Expenditures of State Financial Assistance
 For the Year Ended June 30, 2018

<u>State Grantor, Pass-Through Entity, State Project Title</u>	<u>CFSA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
State of Florida Department of Economic Opportunity (DEO)			
Economic Enhancement and Development Trust Fund			
Trust Fund:			
Institute for the Commercialization of Public Research, Inc.	40.012	SB17-002	<u>1,038,000</u>
Total expenditures of state financial assistance			<u>\$ 1,038,000</u>

See notes to 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 consolidated 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 as of June 30, 2018, 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 October 30, 2018.

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 Institute'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.

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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.

Accountal Capital LLP

Boca Raton, Florida
October 30, 2018

Independent Auditors' Report on Compliance with Requirements Applicable to each Major State Project and on Report on Internal Control over Compliance Required in Accordance with Chapter 10.650, Rules 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 for Each Major State Project

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, 2018. 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 State statutes, regulations, and the terms and conditions of the State projects applicable to its 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; the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and Chapter (10.650, as applicable), Rules of the Auditor General. Those standards, the Uniform Guidance, 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 Federal program and State project. However, our audit does not provide a legal determination of the Institute's compliance.

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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, 2018.

Report on Internal Control over Compliance

Management of 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 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 results of that testing based on the requirements of the Uniform Guidance, and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Coastal Capital LLP

Boca Raton, Florida
October 30, 2018

Institute for Commercialization of Public Research, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

I. SUMMARY OF AUDITORS' REPORT

Financial Statements

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

State Projects

- D. Type of auditors' report issued on compliance for major state projects: Unqualified Opinion
- E. Internal control over major projects:
- Material weakness(es) identified? Yes No
 - Reportable condition(s) identified that are not considered to be material weaknesses? Yes 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 No

- G. Identification of major programs:

State Projects

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

- H. Dollar threshold used to distinguish between type A and type B State Projects \$ 750,000
- I. Auditee qualified as low-risk auditee? Yes 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, 2017

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.