

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

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
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JUNE 30, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Florida Research Foundation, Inc. (the Research Foundation), a direct-support organization and component unit of the University of Florida, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements which collectively comprise the Research Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Research Foundation as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

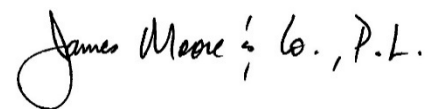
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in dark ink, reading "James Moore & Co., P.L." in a cursive style.

Gainesville, Florida
September 16, 2021

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida Research Foundation, Inc. (the Research Foundation) for the fiscal years ended June 30, 2021 and 2020, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities, as amended by GASB Statement Nos. 37, 38, 63, and 65. The MD&A, the financial statements, and the notes thereto are the responsibility of the Research Foundation management.

FINANCIAL HIGHLIGHTS

The Research Foundation adopted GASB Statement No. 84 *Fiduciary Activities* effective for its financial statements as of and for the fiscal year ended June 30, 2021. The GASB Statement No. 84 provides improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes, and how those activities should be reported. Due to the adoption of GASB Statement No. 84, the Research Foundation created separate financial statements for fiduciary activities, and restated total assets and total liabilities of the Research Foundation as of June 30, 2020 and June 30, 2019. The changes in the total assets and liabilities offset each other, and the amount of the changes were \$44.8M and \$4.7M for fiscal years 2020 and 2019, respectively.

The Research Foundation's assets totaled \$131.2 million at June 30, 2021. This balance reflects an increase of \$4.3 million or 3.4% in assets from June 30, 2020. License fees and royalties receivable increased by \$1.8 million, and Due from University of Florida (the University) increased by \$3.4 million. Total liabilities were \$22.8 million at June 30, 2021, an increase of \$3.3 million or 17.0% in liabilities from June 30, 2020. Inventors' allocations payable increased by \$0.4 million. University allocations payable increased by \$3.0 million. Both increases in assets and liabilities were primarily due to increased Gatorade royalties. As a result, the Research Foundation's net position increased to \$108.4 million. The Research Foundation's assets totaled \$126.9 million at June 30, 2020, which reflected a decrease of \$43.7 million or 25.6% in assets from June 30, 2019. Liabilities totaled \$19.5 million and \$64.1 million at June 30, 2020 and 2019, respectively.

The Research Foundation's operating revenues totaled \$44.5 million in the fiscal year ended June 30, 2021, reflecting a \$2.5 million decrease compared to the fiscal year ended June 30, 2020. Operating revenues were largely comprised of royalty and licensing revenue, and reimbursement of patent and licensing costs. Royalties increased by \$5.6 million or 18.2% compared with the fiscal year ended June 30, 2020. License and option fees increased, excluding a one-time \$10.0 million license issue fee received in fiscal year 2020. Reimbursements of patent and licensing costs decreased to \$3.4 million due to the write-offs made during fiscal year 2021. The Research Foundation's operating revenues totaled \$47.0 million and \$83.7 million in fiscal years 2020 and 2019, respectively. In fiscal year 2019, the Research Foundation's operating revenues were significantly higher than other fiscal years due to the one-time payment of \$38.7 million for its equity in Brammer Bio, LLC.

The costs of royalties and licenses totaled \$34.4 million for the fiscal year ended June 30, 2021, reflecting a slight increase of \$0.3 million or 0.9% from the fiscal year ended June 30, 2020. The major components of these costs were payments for patent and licensing costs, and royalty allocations. Allocations were distributed to the individual inventors, their programs, departments, and colleges. The Research Foundation's costs of royalties and licenses totaled \$34.1 million for the fiscal year ended June 30, 2020. This was a decrease of \$37.4 million or 52.3% from the fiscal year ended June 30, 2019.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

Operating expenses totaled \$10.5 million for the fiscal year ended June 30, 2021, reflecting a decrease of \$4.3 million or 28.7% from the fiscal year ended June 30, 2020. The Research Foundation's operating expenses totaled \$14.8 million for the fiscal year ended June 30, 2020, reflecting an increase of \$4.8 million, or 47.7% from the fiscal year ended June 30, 2019. The Research Foundation increased research support for the large number of new faculty hires in the fiscal year ended June 30, 2020. Net nonoperating revenues totaled \$1.5 million and \$2.8 million for the fiscal years ended June 30, 2021 and 2020, respectively. The main components of nonoperating revenues were unit repayments for the Cancer/Genetics Building and investments.

The ending balance of the Research Foundation's cash and cash equivalents was \$1.2 million at June 30, 2021. The net cash used in operating activities was \$2.0 million for fiscal year 2021, reflecting an increase of \$0.2 million compared with fiscal year 2020. The only component in net cash provided by capital financing activities was unit repayments for the Cancer/Genetics Building of \$2.3 million. The net cash used by investing activities was \$0.6 million for fiscal year 2021. The Strategic Early Stage Investment Committee continued investing in early stage companies that licensed University technology or inventions in fiscal year 2021. The ending balance of the Research Foundation's cash and cash equivalents was \$1.5 million at June 30, 2020. The net cash used in operating activities was \$1.8 million, and the net cash used by investing activities was \$0.8 million for fiscal year 2020.

OVERVIEW OF FINANCIAL STATEMENTS

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

The Statements of Net Position consist of current and non-current assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Position characterize revenues and expenses as either operating or nonoperating. A portion of the Research Foundation's anticipated recurring resources is considered nonoperating as defined by GASB Statement No. 35. The principal component of recurring nonoperating revenues for the fiscal year ended June 30, 2021 was unit repayments for the Cancer/Genetics Building of \$2.3 million. Finally, the Statements of Cash Flows consist of cash flows from operating, capital and related financing, and investing activities.

FINANCIAL HIGHLIGHTS OF THE RESEARCH FOUNDATION

The Statements of Net Position report all financial and capital resources of the Research Foundation at the end of the fiscal year. Net Position over time can be a useful indicator of an entity's financial position. The Research Foundation's assets exceeded liabilities as of June 30, 2021, 2020, and 2019, by approximately \$108.4, \$107.4, and \$106.5 million, respectively. The following schedules are the Research Foundation's condensed Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows:

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

The Research Foundation's Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Current assets	\$ 131,218,099	\$ 126,903,749	\$ 170,597,145
Total assets	<u>131,218,099</u>	<u>126,903,749</u>	<u>170,597,145</u>
Current liabilities	<u>22,806,968</u>	<u>19,488,713</u>	<u>64,063,084</u>
Total liabilities	<u>22,806,968</u>	<u>19,488,713</u>	<u>64,063,084</u>
Net position			
Unrestricted	<u>108,411,131</u>	<u>107,415,036</u>	<u>106,534,061</u>
Total Net Position	<u>\$ 108,411,131</u>	<u>\$ 107,415,036</u>	<u>\$ 106,534,061</u>

The Research Foundation's Activities and Changes in Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues			
Operating revenues	\$ 44,474,347	\$ 46,966,327	\$ 83,732,554
Costs of royalties and licenses	<u>(34,433,619)</u>	<u>(34,114,346)</u>	<u>(71,543,631)</u>
Net operating revenues	<u>10,040,728</u>	<u>12,851,981</u>	<u>12,188,923</u>
Total operating expenses	<u>(10,547,258)</u>	<u>(14,802,294)</u>	<u>(10,022,599)</u>
Operating income/(loss)	<u>(560,530)</u>	<u>(1,950,313)</u>	<u>2,166,324</u>
Nonoperating revenues, net	<u>1,502,625</u>	<u>2,831,288</u>	<u>2,313,708</u>
Change in Net Position	<u>\$ 996,095</u>	<u>\$ 880,975</u>	<u>\$ 4,480,032</u>

The Research Foundation's Cash Flows

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash provided by (used in):			
Operating activities	\$ (1,978,441)	\$ (1,805,402)	\$ (2,393,234)
Capital financing activities	2,300,000	2,300,000	2,300,000
Investing activities	<u>(624,123)</u>	<u>(764,672)</u>	<u>-</u>
Net (decrease) in cash and cash equivalents	<u>(302,564)</u>	<u>(270,074)</u>	<u>(93,234)</u>
Cash and cash equivalents, beginning of year	1,540,292	1,810,366	1,903,600
Cash and cash equivalents, end of year	<u>\$ 1,237,728</u>	<u>\$ 1,540,292</u>	<u>\$ 1,810,366</u>

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

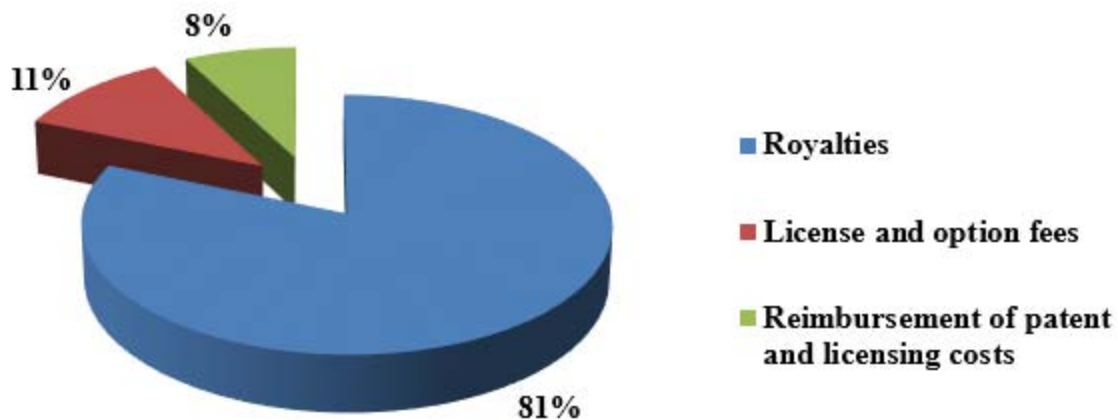
FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

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

A graphical representation of the Research Foundation's sources of operating revenues for the year ended June 30, 2021 is as follows:

**The Research Foundation's Sources of Operating Revenues
for the Year Ended June 30, 2021**



ECONOMIC OUTLOOK

The Research Foundation's economic outlook is closely related to, and largely dependent on the ongoing royalty and licensing income received. There is still great uncertainty regarding income sources in fiscal year 2022 due to the COVID-19 pandemic; however, royalty and licensing income is still expected to remain fairly stable with moderate growth over the long-term. For fiscal year 2022, royalty and licensing income from recurring items is budgeted at \$33.4 million.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

CONTACTING MANAGEMENT

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

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,237,728	\$ 1,540,292
License fees and royalties receivable, net	8,432,720	6,670,962
Patent and licensing costs receivable, net	768,042	1,175,414
Due from University of Florida	119,440,371	116,004,591
Investments, unrestricted, at fair value	1,339,238	1,512,490
Total current assets	<u>131,218,099</u>	<u>126,903,749</u>
Total assets	<u>131,218,099</u>	<u>126,903,749</u>
<u>LIABILITIES</u>		
Current liabilities		
Accounts payable	1,519,760	1,344,374
Patent and licensing costs payable	1,301,681	1,664,953
Inventors' allocation payable	1,379,749	930,917
University allocation payable:		
License fees and royalties payable	18,605,778	15,548,469
Total current liabilities	<u>22,806,968</u>	<u>19,488,713</u>
Total liabilities	<u>22,806,968</u>	<u>19,488,713</u>
<u>NET POSITION</u>		
Net position		
Unrestricted	<u>\$ 108,411,131</u>	<u>\$ 107,415,036</u>

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Royalties	\$ 36,098,802	\$ 30,548,023
License and option fees	4,903,219	11,390,039
Reimbursement of patent and licensing costs	3,412,565	4,640,119
Unexpended program support returned to the Research Foundation	17,689	348,179
Miscellaneous operating revenues	42,072	39,967
Total operating revenues	<u>44,474,347</u>	<u>46,966,327</u>
Cost of royalties and licenses		
Inventors' allocations	4,341,980	5,628,520
Inventors' department allocations	21,177,305	17,913,360
Inventors' college allocations	785,215	1,578,188
Inventors' program allocations	839,493	1,634,930
Patent and licensing	7,289,626	7,359,348
Total cost of royalties and licenses	<u>34,433,619</u>	<u>34,114,346</u>
Net operating revenues	<u>10,040,728</u>	<u>12,851,981</u>
Operating expenses		
Research and development awards	456,491	649,634
Gatorade research allocations	4,479,269	8,805,268
Tech licensing expenses:		
Salary reimbursement	3,472,285	3,232,473
Other administrative expenses	412,898	527,878
Administrative expenses:		
Salary reimbursement	775,228	745,525
Publications	237,916	149,007
Other administrative expenses	713,171	692,509
Total operating expenses	<u>10,547,258</u>	<u>14,802,294</u>
Operating loss	<u>(506,530)</u>	<u>(1,950,313)</u>
Nonoperating revenues (expenses)		
Investment income	868	1,425
Net increase (decrease) in the fair value of investments	(798,243)	529,863
Unit repayments for the Cancer/Genetics Building	2,300,000	2,300,000
Total nonoperating revenues	<u>1,502,625</u>	<u>2,831,288</u>
Change in net position	996,095	880,975
Net position , beginning of year, as restated	107,415,036	106,534,061
Net position , end of year	<u><u>\$ 108,411,131</u></u>	<u><u>\$ 107,415,036</u></u>

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Receipts and disbursements from licensed products:		
Royalties	\$ 34,744,207	\$ 30,909,286
License and option fees	4,496,057	12,115,092
Reimbursement of patent and licensing costs	3,819,937	4,628,479
Inventors' allocation payments	(3,893,148)	(7,702,831)
University allocation payments	(19,744,705)	(63,462,086)
Patent and licensing costs	(7,652,898)	(7,688,938)
Total receipts and disbursements from licensed products, net	<u>11,769,450</u>	<u>(31,200,998)</u>
Unexpended program support returned to the Research Foundation	17,689	348,179
Gatorade allocations	(4,479,269)	(8,805,268)
Research and development awards	(456,491)	(658,087)
Due from the University of Florida, net	(3,435,780)	43,644,606
Payments to vendors and salary reimbursements	(5,436,112)	(5,173,801)
Miscellaneous	42,072	39,967
Net cash used in operating activities	<u>(1,978,441)</u>	<u>(1,805,402)</u>
Cash flows from capital and related financing activities		
Unit repayments for the Cancer/Genetics Building	2,300,000	2,300,000
Net cash provided by capital and related financing activities	<u>2,300,000</u>	<u>2,300,000</u>
Cash flows from investing activities		
Purchase of investments	(624,991)	(874,996)
Proceeds from investments	-	110,324
Investment interest, net	868	-
Net cash used by investing activities	<u>(624,123)</u>	<u>(764,672)</u>
Net decrease in cash and cash equivalents	(302,564)	(270,074)
Cash and cash equivalents, beginning of year	1,540,292	1,810,366
Cash and cash equivalents, end of year	<u>\$ 1,237,728</u>	<u>\$ 1,540,292</u>

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(Continued)

	<u>2021</u>	<u>2020</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating (loss)	\$ (506,530)	\$ (1,950,313)
Adjustments to reconcile operating income loss to net cash used in operating activities:		
(Increase) decrease in license fees and royalties receivable	(1,761,758)	1,086,316
(Increase) decrease in patent and licensing costs receivable	407,372	(11,640)
(Increase) decrease in receivable from the University of Florida, net	(3,435,780)	43,644,606
Increase in accounts payable	175,386	165,138
(Decrease) in patent and licensing costs payable	(363,272)	(329,590)
Increase (decrease) in inventors' allocation payable	448,832	(2,074,311)
Increase (decrease) in license fees and royalties payable	3,057,309	(42,335,608)
Net cash used in operating activities	<u>\$ (1,978,441)</u>	<u>\$ (1,805,402)</u>
Supplemental noncash information		
Net increase (decrease) in the fair value of investments, unrestricted	<u>\$ (798,243)</u>	<u>\$ 529,863</u>

The net increase in the fair value of unrestricted investments above was recognized in the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and 2020.

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Assets		
Funds held by the University of Florida	\$ 51,469,629	\$ 44,765,409
Total assets	<u>51,469,629</u>	<u>44,765,409</u>
<u>NET POSITION</u>		
Fiduciary net position		
Undesignated	51,469,629	44,765,409
Total net position	<u>\$ 51,469,629</u>	<u>\$ 44,765,409</u>

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Additions		
Royalties	\$ 5,208,032	\$ 44,157,616
License and option fees	2,717,889	2,672,935
Unexpended program support returned to the Research Foundation	-	56,121
Miscellaneous operating revenues	4,560	3,970
Total additions	<u>7,930,481</u>	<u>46,890,642</u>
Deductions		
Transfer royalties to the University of Florida	-	5,200,000
Transfer license fees to the University of Florida	1,223,645	1,539,027
Miscellaneous operating expenses	2,616	67,009
Total deductions	<u>1,226,261</u>	<u>6,806,036</u>
Change in fiduciary net position	6,704,220	40,084,606
Net position, beginning of year, as restated	44,765,409	4,680,803
Net position, end of year	<u><u>\$ 51,469,629</u></u>	<u><u>\$ 44,765,409</u></u>

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(1) Summary of Significant Accounting Policies:

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

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

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

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

In addition to the business type activities noted above, the Research Foundation accounts for the net position held on behalf of others and the related financial activities of these funds, which involve the collection and transfer of resources as needed by the various entities that are entitled to these funds.

The entire Net Position of the Research Foundation is considered to be unrestricted, in accordance with the purpose and bylaws of the Research Foundation [see Notes (1)(a) and (5)].

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

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

The balance in allowance for doubtful accounts for license fees and royalties receivable is approximately \$88,000 and \$40,000 at June 30, 2021 and 2020, respectively. The balance in allowance for doubtful accounts for patent and licensing costs receivable is \$600,000 and \$780,000 at June 30, 2021 and 2020, respectively.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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

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

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

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

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

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

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

(k) **Management's review**—The Research Foundation's management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 16, 2021, the date the financial statements were available to be issued.

(l) **Accounting standard implementation and reclassification**—During the year ended June 30, 2021, the Research Foundation implemented GASB Statement No. 84, *Fiduciary Activities*, which requires that certain amounts held on behalf of others should be reflected as fiduciary activities. GASB No. 84 was retrospectively applied to the financial statements. Accordingly, assets and liabilities decreased related to Funds held on behalf of others at June 30, 2020 and June 30, 2019 by \$44,765,409 and \$4,680,803, respectively, from previously reported financial statements of the Research Foundation.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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

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

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

Effective July 1, 2014, the Research Foundation entered into an agreement with the University where substantially all investments and excess operating cash is held by the University on behalf of the Research Foundation. All earnings, losses, and associated fees related to these funds will be retained or paid by the University. The Research Foundation has same day liquidity in regards to these funds up to \$10,000,000. A withdrawal of more than \$10,000,000 requires two days written notice. The balance of the funds held by the University was \$119,440,371 and \$116,004,591 at June 30, 2021 and 2020, respectively. These funds are shown as Due from University of Florida on the Statements of Net Position.

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

As of June 30, 2021 and 2020, cash and cash equivalents were held by depositories with bank balances amounting to \$1,255,000 and \$1,637,362, respectively. The Research Foundation's cash deposit account is insured by the federal public depository insurance corporation (FDIC) up to \$250,000 or fully collateralized by the bank's participation as a qualified public depository pursuant to the Florida Statutes, Chapter 280, Security for Public Deposits Act (the Act), and therefore, is not subject to custodial credit risk.

Investments

The Research Foundation's investment policy describes the types of investments that it is authorized to purchase. As of June 30, 2021 and 2020, investments entirely consist of equity securities [see Notes (6) and (7)], and are shown in the accompanying Statements of Net Position as follows:

	2021	2020
Investments, unrestricted, at fair value	\$ 1,339,238	\$ 1,512,490
Total Investments	\$ 1,339,238	\$ 1,512,490

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Concentration of Credit Risk

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

Custodial Credit Risk—During fiscal years 2021 and 2020, no investments had associated custodial credit risk.

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

(4) Related Parties:

University of Florida

The Research Foundation recognized license and royalty income allocations to Inventors' respective departments, colleges, and programs for \$22,802,013 and \$21,126,478 for the fiscal years ended June 30, 2021 and 2020, respectively, of which \$18,605,778 and \$15,548,469 were payable at June 30, 2021 and 2020, respectively.

The Research Foundation provided the University with research support of \$4,754,909 and \$9,236,640 for the fiscal year ended June 30, 2021 and 2020, respectively. There was no outstanding payable at June 30, 2021 and 2020.

The Research Foundation has no employees and is supported by employees of the University. The Research Foundation reimburses the University based on a valuation that is determined by specific employees' time, pay rates, and fringe benefits. The Research Foundation reimbursed the University \$4,247,513 and \$3,977,998 for such services during fiscal years 2021 and 2020, respectively.

Equity Ownerships

The Research Foundation has acquired equity positions in commercial enterprises as consideration for various license agreements [see Note (6)]. The Research Foundation has no cost basis for these positions and their fair value is not subject to reasonable estimations. Accordingly, the value of these investments is not reflected on the statement of net position.

If the positions become actively traded or transact over-the-counter on a less frequent basis, and the fair value can be determined, then the Research Foundation records the equity on its Statement of Net Position at fair value and recognizes related income [see Notes (6) and (7)].

Additionally, the Research Foundation has formed the Strategic Early Stage Investment Committee (the Committee), and started investing in early stage companies that have licensed University technology or inventions. The Committee must follow the lead of a Qualified Venture Capital Fund for any investment, and may not be an initial or lead investor in a company. Because these early stage companies are privately held, and their securities are not traded over-the-counter, their fair market values are measured at NAV [See Notes (6) and (7)].

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(4) **Related Parties:** (Continued)

Florida Research Consortium

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

(5) **Unrestricted Net Position:**

Unrestricted Net Position is classified as follows at June 30:

	<u>2021</u>	<u>2020</u>
Designated		
Gatorade Fund —This component represents funds that are discretionary to the President of the Research Foundation, to support the Research Enterprise of the University. These funds arise by virtue of a stipulation and subsequent agreements to the sale of Gatorade.	\$ 84,688,776	\$ 80,838,130
Other Research Commitments	9,000,000	12,000,000
Total Designated	<u>93,688,776</u>	<u>92,838,130</u>
Undesignated		
This component represents funds that have not been designated for any purpose by the Board of Directors and are readily available for expenditure in accordance with the purpose and bylaws of the Research Foundation [see Note (1) (a)].	14,722,355	14,576,906
Total Unrestricted Net Position	<u>\$ 108,411,131</u>	<u>\$ 107,415,036</u>

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(6) Equity Ownerships:

The Research Foundation acquired equity positions in commercial enterprises as consideration for license agreements, in addition to revenues received for license fees of \$4,903,219 and \$11,390,039 in fiscal years 2021 and 2020, respectively. The Research Foundation has no cost basis in these investments, and their market value is not subject to reasonable estimations. Accordingly, the value of these investments is not reflected on the Statements of Net Position.

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

	2021	2020
aaVective, Inc.	-	134,100
Apollidon Holdings, Inc.	24,157	24,157
ARMASI, Inc.	50	50
Banyan Biomarkers, Inc.	1,706,275	1,706,275
Benson Hill Biosystems, Inc.	10,000	10,000
BioProdex, Inc.	150	150
Clinipace, Inc.	-	228,079
CoMentis, Inc.	198,253	198,253
Comm-N-Sense Corp.	29,000	29,000
Cool Flow Dynamics, Inc.	-	7,000
Curtiss Healthcare, Inc.	268,122	268,122
Dialectic Therapeutics, Inc.	150,000	150,000
Encor Biotechnology, Inc.	12,000	12,000
Entrinsic Beverage Co., LLC	663,254	663,254
Entrinsic, Inc.	663,254	663,254
Genascence Corp.	43,711	43,711
Gila Therapeutics, Inc.	75,598	75,598
Immunomic Therapeutics, Inc.	-	50,000
Kate Therapeutics, Inc.	770,536	-
Key Medical Technologies, Inc.	49,500	49,500
Lacerta Therapeutics, Inc.	526,400	526,400
Morphogenesis, Inc.	230,923	230,923
Nanophotonica, Inc.	2,307,773	2,307,773
NanoTherics, Ltd.	570	570
Nirvana Therapeutics, Inc.	45,000	45,000
Novacyte Biosciences	-	1,350,000
NxtGen Nano, Inc.	3,949,737	3,949,737
Oceanyx Pharmaceuticals, Inc.	31,579	31,579
Ology Bioservices, Inc.	-	35,000
Oracle Diagnostics, Inc.	239,940	239,940
Prana Therapeutics, Inc.	-	251,500
QuantumBio, Inc.	524,822	524,822
Red Lambda, Inc.	192,857	192,857
ReliOx Corp.	25,000	25,000

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(6) **Equity Ownerships:** (Continued)

	2021	2020
Sentinel Diagnostic Imaging, Inc.	-	60,000
Shadow Learning, Inc.	-	5,362
Sharklet, Inc.	228,151	228,151
Sol-Gel Solutions, Inc.	2	2
Structured Monitoring Products, Inc.	1,117,000	830,144
TAO Connect, Inc.	26,316	26,316
Vala Sciences, Inc.	38,213	38,213
Xhale, Inc.	1,807,292	1,807,292
Xortx Therapeutics, Inc.	1,887,592	1,887,592
AgyPharma, LLC	10% of Units	10% of Units
Apeliotus Life Science Holdings, LLC	15,000 Units	15,000 Units
Axoxy Laboratories LLC	5% of Units	5% of Units
CerBurg Products, Ltd.	8 Units	8 Units
Cooley Biotech, Inc.	15% of Units	15% of Units
Enviroflux, LLC	632 Units	632 Units
Evident Energy Ltd.	2.5% of Units	2.5% of Units
Evolugate, LLC	7,374 Units	7,374 Units
Florida Insect Control Group, LLC	5% of Units	5% of Units
Greybind Power, LLC	-	5% of Units
Meno Holdings, LLC	5% of Units	-
NirVision LLC	-	10% of Units
nVerPix, LLC	10% of Units	10% of Units
Osage Partners	2.5% of Units	2.5% of Units
Prometheon Pharma, LLC	10.05% of Units	10.05% of Units
RAPiD Genomics, LLC	10.20% of Units	10.20% of Units
Redox Power Systems, LLC	3.6% of Units	3.6% of Units
Satlantis, LLC	2% of Units	2% of Units
Seropeutics, LLC	10% of Units	10% of Units
SimuGrid Technology, LLC	5% of Units	5% of Units
XDG, LLC	4% of Units	4% of Units

Additionally, the Research Foundation has recorded the following equity interests at fair value as of June 30, 2021 and 2020. The Research Foundation obtained these interests as license or royalty payments, or through direct investments in early stage companies that licensed University technology or inventions. These interests are either stocks traded over-the-counter or partnership interests. All following equities other than Oragenics, Inc. and Inflexion Fund, LP are valued at NAV [see Note (7)]. The equity interests with \$0 estimated fair value for both fiscal years are excluded from the table.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

(6) **Equity Ownerships:** (Continued)

Name of Security	2021		2020	
	Number of Shares	Amount	Number of Shares	Amount
Aavantibio, Inc.	380,906	\$ 569,973	268,529	\$ -
Abfero Pharmaceuticals, Inc.	4,445,420	-	2,512,500	300,313
Algernon Pharmaceuticals, Inc.	234,081	11,261	234,081	20,621
Atsena Therapeutics, Inc.	255,115	328,527	164,432	318,998
Cannabix Technologies, Inc.	603,870	32,131	603,870	55,827
Inflexion Fund, LP	N/A	38,246	N/A	29,038
Matrix Technologies, Inc.	145,112	4,462	145,112	249,999
Oragenics, Inc.	2,679	1,890	2,679	1,859
Panbela Therapeutics, Inc.*	114,423	86,014	114,423	12,492
StrideBio, Inc.	88,851	159,799	71,752	-
TearClear Corp.	611,269	106,935	611,269	523,343
Total Equities		<u>\$ 1,339,238</u>		<u>\$ 1,512,490</u>

* Sun BioPharma, Inc. changed its name to Panbela Therapeutics, Inc. during fiscal year 2021.

(7) **Fair Value Measurements:**

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

The Research Foundation has the following recurring fair value measurements as of June 30, 2021 and 2020:

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

The following table summarizes the assets and liabilities of the Research Foundation for which fair values are determined on a recurring basis as of June 30, 2021 and 2020, respectively:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2021:				
Equity ownerships	\$ 1,890	\$ 38,246	\$ -	\$ 40,136
Total assets in the fair value hierarchy	<u>\$ 1,890</u>	<u>\$ 38,246</u>	<u>\$ -</u>	40,136
Investments measured at NAV*				<u>1,299,102</u>
Investments at fair value				<u>\$ 1,339,238</u>

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
June 30, 2020:				
Equity ownerships	\$ 1,859	\$ 29,038	\$ 1,392,653	\$ 1,423,550
Total assets in the fair value hierarchy	<u>\$ 1,859</u>	<u>\$ 29,038</u>	<u>\$ 1,392,653</u>	1,423,550
Investments measured at NAV*				<u>88,940</u>
Investments at fair value				<u>\$ 1,512,490</u>

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

The following table discloses the nature and risk of investments for which fair value has been estimated using the NAV per share of the investments as a practical expedient as of June 30, 2021 and 2020. The equity interests with \$0 estimated fair value are excluded from the table.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Investments Measured at Net Asset Value as of June 30, 2021				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Aavantibio, Inc.	\$ 569,973	\$ -	Illiquid	N/A
Algernon Pharmaceuticals, Inc.	11,261	-	Illiquid	N/A
Atsena Therapeutics, Inc.	328,527	-	Illiquid	N/A
Cannabix Technologies, Inc.	32,131	-	Illiquid	N/A
Matrix Technologies, Inc.	4,462	-	Illiquid	N/A
Panbela Therapeutics, Inc.	86,014	-	Illiquid	N/A
StrideBio, Inc.	159,799	-	Illiquid	N/A
TearClear Corp.	106,935	-	Illiquid	N/A
	<u>\$ 1,299,102</u>	<u>\$ -</u>		

Investments Measured at Net Asset Value as of June 30, 2020				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Algernon Pharmaceuticals, Inc.	\$ 20,621	\$ -	Illiquid	N/A
Cannabix Technologies, Inc.	55,827	-	Illiquid	N/A
Sun Biopharma, Inc.	12,492	-	Illiquid	N/A
	<u>\$ 88,940</u>	<u>\$ -</u>		

(8) **Concentrations:**

During the fiscal year ended June 30, 2021, the Research Foundation received approximately 69% of its total royalties, licenses, and option fees from two companies; compared with 78% received from three companies for the fiscal year ended June 30, 2020. The revenues from each of these companies individually accounted for at least 10% of total royalties and fees.

(9) **Risk Management:**

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

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

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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

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

The Research Foundation will continue collecting \$2,300,000 annually from the University's College of Medicine, the Institute for Food and Agricultural Sciences, and the College of Liberal Arts and Sciences through fiscal year 2033. Included in the accompanying Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2021 and 2020 are \$2,300,000 in unit repayments per year for the Cancer/Genetics Building.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity and each major fund of the University of Florida Research Foundation, Inc. (the Research Foundation), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Research Foundation's basic financial statements, and have issued our report thereon dated September 16, 2021.

Internal Control Over Financial Reporting

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

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

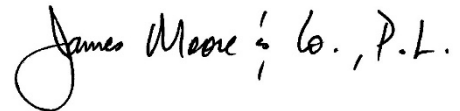
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Research Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive, flowing style.

Gainesville, Florida
September 16, 2021