

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

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
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JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Florida State University Research Foundation, Inc.:

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Florida State University Research Foundation, Inc. (the Research Foundation), a direct-support organization and component unit of Florida State University, as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Research Foundation's as of June 30, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Research Foundation and to meet out other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Research Foundation's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Research Foundation's ability to continue as a going concern for twelve months after the date of the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of the internal control relevant to the audit 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 Research Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Research Foundation's ability to continue as a going concern for a reasonable period of time.

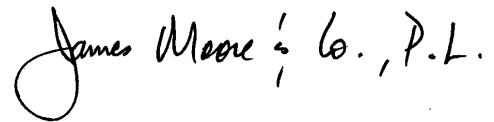
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal-control related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as noted 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 October 14, 2022, 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 black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive, flowing style.

Tallahassee, Florida
October 14, 2022

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021

Florida State University Research Foundation, Inc. (the Research Foundation) is pleased to present its financial statements for fiscal years 2022 and 2021. The intent of this discussion and analysis of financial performance is to provide readers with a comprehensive picture of the Research Foundation's financial condition and results of operations. It should be read in conjunction with the audited financial statements and related footnotes as details provided there are not necessarily repeated in this analysis.

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide information about the activities of the Research Foundation as a whole and present an overall view of the Research Foundation's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All current year revenues and expenses are considered regardless of when cash was received or disbursed. The primary purpose of the Statements of Cash Flows is to provide information about the cash receipts and disbursements of an entity during a period. This statement aids in the assessment of an organization's ability to generate future net cash flows and meet obligations as they come due. The accompanying footnotes to the financial statements provide further information related to amounts presented on the financial statements. The following discussion is meant to focus on key changes that occurred during the current financial period.

FINANCIAL HIGHLIGHTS

The net position of the Research Foundation decreased from \$182.1 million to \$168.5 million at June 30, 2022. The net decrease is a result of the losses from investments and operations. Net position indicates the overall financial strength of the Research Foundation and is equal to assets less liabilities. The net position will provide the resources necessary to continue funding research programs and research facilities, as well as to meet other obligations in the coming years.

Revenues at the Research Foundation consist of licensing and royalty revenues, privately-funded contracts and grants, building rentals, and investment earnings.

- Royalty revenues and licensing fees decreased from the previous year. Royalties and license fees were approximately \$244,927 in fiscal year 2022 as compared to \$448,898 in fiscal year 2021. The decrease of approximately \$204,000 is related to financial impact on several companies holding licenses with the Research Foundation over the past fiscal year.
- Contract and grant revenues increased from the prior year. Contract and grant revenues were \$10.1 million in 2022 as compared to \$8.4 million in 2021. This increase in contract and grant revenue is attributed to the increase of contract and grant research activity during fiscal year 2022.
- Building rental revenues were \$3.2 million in both fiscal year 2022 and 2021, with an increase of approximately \$12,000. The small increase is primarily attributable to space being fully rented for most of the fiscal year offset by no rental increases due to the global pandemic.
- Investment earnings consisted of a loss of \$14.4 million during fiscal year 2022 compared to a gain of \$28.9 million during fiscal year 2021. During the fiscal year 2022, the Research Foundation realized an investment return of approximately -11.6% as compared to 24.9% the previous fiscal year.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

RESEARCH FOUNDATION FUNDED PROGRAMS HIGHLIGHTS

Past royalty revenue and investment earnings provide resources for various internal research programs developed at the University. Spending for these programs is listed as "Research Foundation funded programs" on the Statements of Revenues, Expenses and Changes in Net Position. These programs include:

- ***Krafft Professorships*** – assist the University in recruiting national scholars by providing a \$40,000 annual grant to selected scholars employed by the University in various disciplines. Past recipients include Pulitzer Prize winners in literature and music composition, a four-time Emmy Award winner, and a former chair of the National Endowment for the Arts. Krafft Professors bring new opportunities to students and campus. The grants are funded from investment earnings with up to \$800,000 committed to this program annually. During fiscal year 2022 there were four full Krafft professors, two partial Krafft professors, and two Edgar professors for a total commitment of \$215,000 to the program.
- ***Grants for Application Proof of Concept (GAP) Funding Program*** – support enhancements of inventions or other original works that have been disclosed to the University. It funds projects that University researchers and other interested parties agree will quickly improve the odds that current research results will lead to public availability of a new product or service. The Research Foundation has funded \$250,000 per year for over fifteen years.

OVERVIEW OF THE FINANCIAL STATEMENTS

Statements of Net Position

The Statements of Net Position present the assets, liabilities, and net position of the Research Foundation as of the end of the fiscal years. From the data presented, readers are able to determine the net position available to continue the operations of the organization. In 2022, there was an increase in total assets of \$29 million.

The current assets decreased by \$10 million. Cash and cash equivalents were lower at year end as the cash was transferred to current investments as it was not needed for current operating expenses. Current investments decreased by approximately \$10.6 million due to loss of earnings during the current year. During fiscal year 2022, \$48.5 million of the total current investments has been classified as restricted per an Arbitrage Monitoring agreement.

Grants receivable had a slight increase of \$150,000 due to normal operating situations for the current year.

Non-current investments increased by \$271,000 during fiscal year 2022 mainly due to the Research Foundation's additional investment in Synth Taxus and an equity investment related to Royalty contracts.

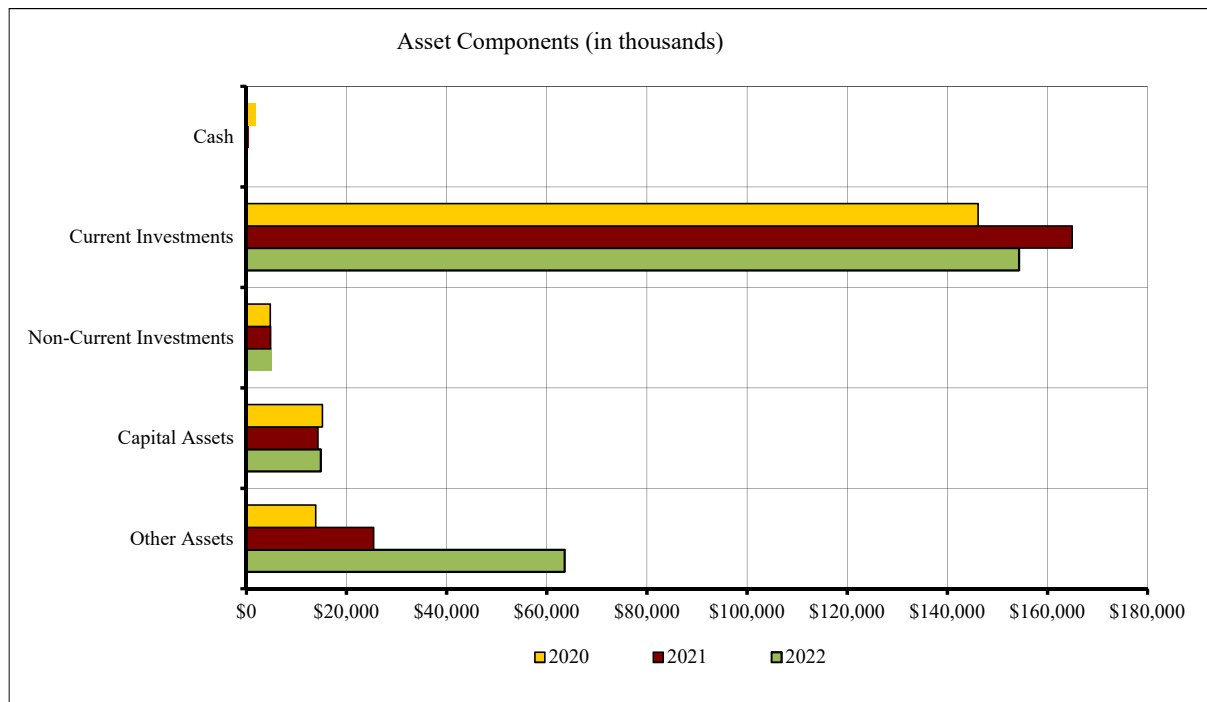
FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

The non-current portion of Notes receivable decreased by approximately \$1.6 million. The decrease is due to payments received against the previous outstanding notes balance based on the corresponding payment schedules.

Deposits held with Florida State University (the University) increased by \$41.7 million. The increase is directly related to additional funds being transferred to the University for the construction of the Interdisciplinary Research and Commercialization Building (IRCB).

Depreciable capital assets (net) decreased by \$1 million. This is the result of the annual amortization of the various properties under the capital lease agreements. These assets represent the current amortized cost of various Research Foundation leasehold agreements in Innovation Park.

The following chart illustrates the asset components as June 30, 2022, 2021, and 2020:



The royalty allocations payable consists primarily of past royalties not yet spent by departments held on deposit at the Research Foundation plus the current year department allocations. For the 2022 fiscal year, this payable decreased by \$1.8 million due to the departmental spending being more than additions to the departmental funds held by the Research Foundation.

Unearned revenue consists of the unexpended portions of contract and grant revenue receipts that are being administered by the Research Foundation. Revenue per the Statements of Revenues, Expenses and Changes in Net Position is recognized only to the extent expenses are incurred in executing the applicable contracts and grants. Unearned revenue increased by \$667,000 in 2022 due to the increase in contract and grant funding received by the Research Foundation but not yet spent during the current fiscal year.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

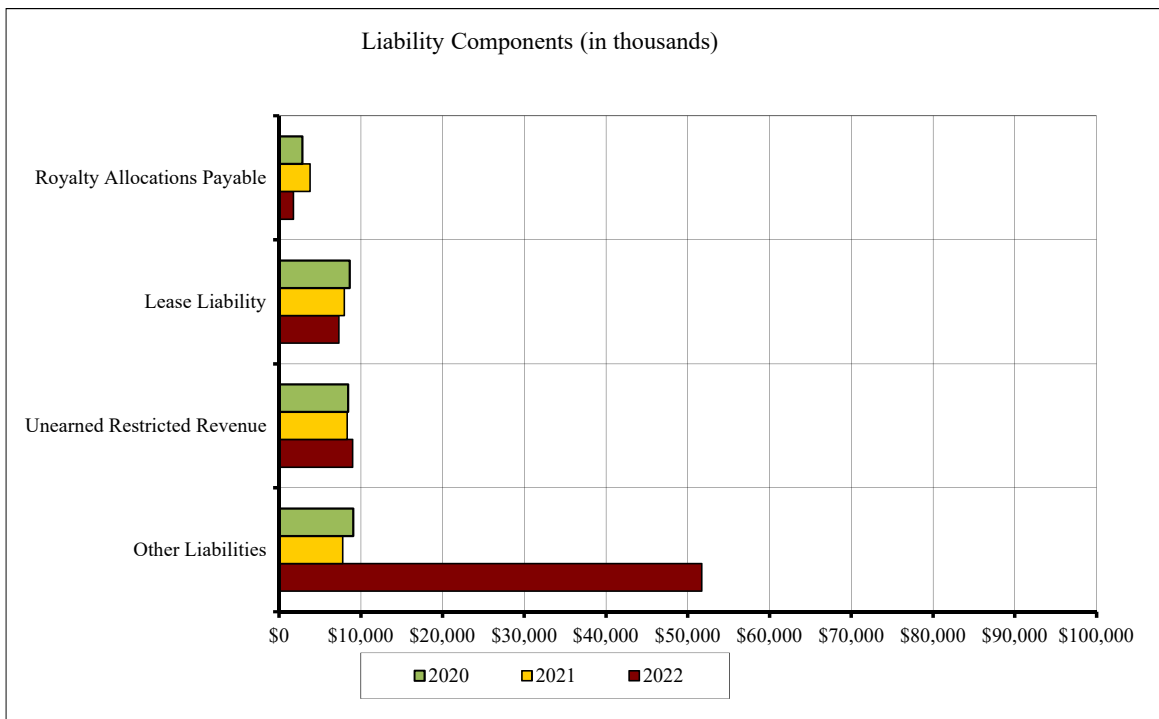
In addition, obligations under capital leases (current and non-current, net) decreased by \$706,000 which is equal to the annual principal payment to the State Board of Administration and the amortization of the bond premium.

The University fund payable increased by \$743,000 mainly due to an increased amount of contract and grant payables and indirect costs due to the University as of the end of the fiscal year.

During fiscal year 2022, the Research Foundation executed a loan in the amount of \$44 million with an interest rate of 2.51% to assist with the financing of the IRCB construction contribution.

In the 2022 fiscal year, total liabilities increased by \$42.8 million. The increase is primarily attributable to the execution of the IRCB loan of \$44 million and the increase in the University fund payable of \$743,000 offset by the decrease in obligations under capital leases of \$706,000 as well as the decrease in royalty allocations of \$1.8 million, as noted above.

The following chart illustrates the liability components at June 30, 2022, 2021, and 2020:



Computing and presenting the net position (the difference between assets and liabilities) is one way to illustrate the financial health or financial position of the Research Foundation. Over time, increases or decreases in net position are an indicator of whether the overall financial health is improving or deteriorating. The following table summarizes assets, liabilities, and net position as of June 30:

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

Net Position (in millions)	Years Ended June 30,		
	2022	2021	2020
Current and Other Assets	\$ 223.1	\$ 194.0	\$ 166.7
Capital Assets and Land	14.9	16.0	15.2
Total Assets	\$ 238.0	\$ 210.0	\$ 181.9
Debt Outstanding - Capital Assets	\$ 7.3	\$ 8.0	\$ 8.7
Other Liabilities	62.4	19.9	20.4
Total Liabilities	\$ 69.7	\$ 27.9	\$ 29.1
Restricted for Debt Service	\$ 48.5	\$ -	\$ -
Net Investment in Capital Assets	7.4	7.8	6.3
Unrestricted	112.4	174.3	146.5
Net Position	\$ 168.3	\$ 182.1	\$ 152.8

The Research Foundation's overall financial condition remains healthy with total assets exceeding total liabilities by \$168.5 million and \$182.1 million, respectively.

Capital Assets and Debt Administration

Capital Assets: At June 30, 2022, the Research Foundation had \$30 million in capital assets, less accumulated depreciation of \$16.9 million, for net capital assets of \$13.2 million. Amortization and depreciation expenses totaled \$1,128,753 and \$1,117,964 for the fiscal years ended June 30, 2022 and 2021, respectively.

The following table summarizes the Research Foundation's capital assets, net of accumulated amortization and depreciation, as of June 30:

	2022	2021
Land	\$ 2,618,820	\$ 2,618,820
Right to use leased asset	12,207,817	13,323,518
Construction in progress	-	-
Equipment and software	25,274	39,874
Total capital assets, net	<u>\$ 14,851,911</u>	<u>\$ 15,982,212</u>

Additional information about the Research Foundation's capital assets is presented in the notes to the financial statements.

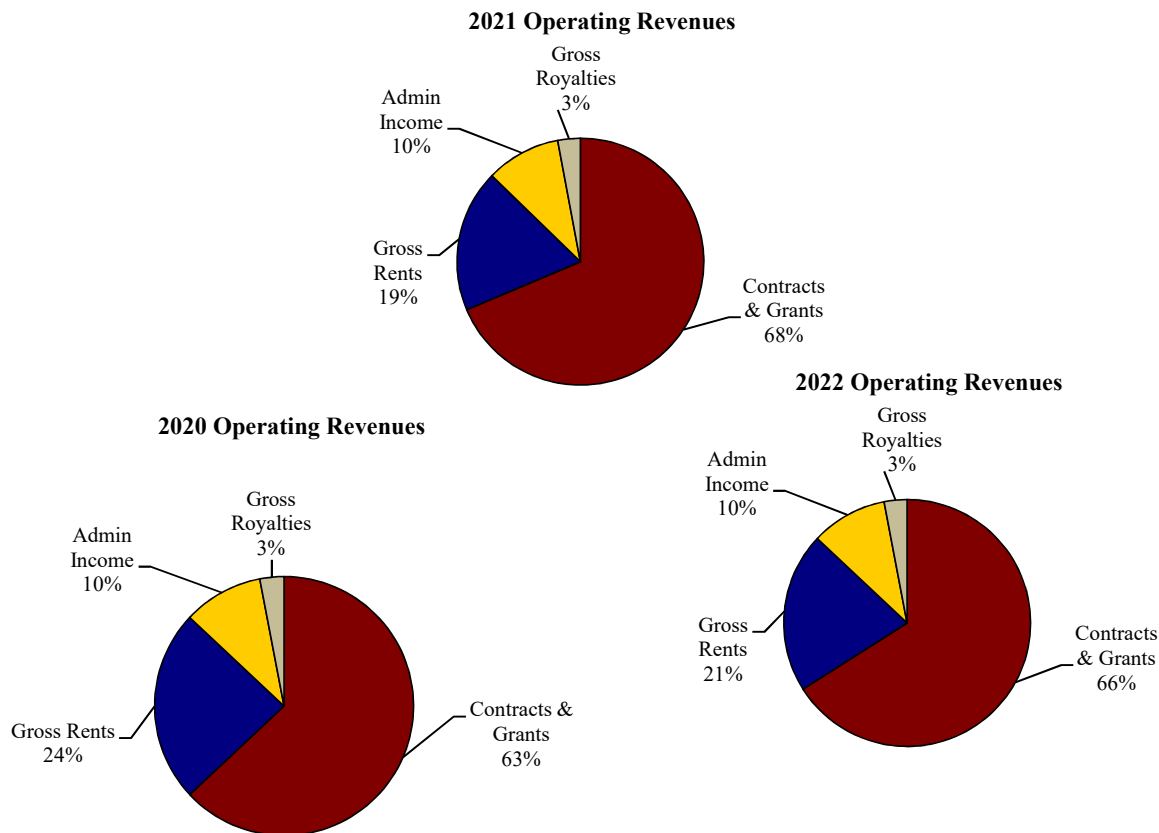
Debt Administration: As of June 30, 2022, the Research Foundation had \$51.4 million in outstanding debt representing an increase of \$43.4 million from the prior fiscal year balance of \$7,654,000. Additional information about the Research Foundation's long-term debt is presented in the notes to the financial statements.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

Statements of Revenues, Expenses and Changes in Net Position

Revenues from licenses and copyrights, contracts and grants, administrative income, rental of research facilities, and investments provide the primary resources used to fund Research Foundation activities. The Research Foundation received \$15.2 million in total revenues during fiscal year 2022 compared to \$42.3 million in fiscal year 2021. The decrease in revenues is primarily attributable to an investment loss of \$14.4 million in fiscal year 2022 compared to an investment gain of \$28.9 million in fiscal year 2021. The year over year decrease of \$43.3 million in investment earnings is offset by an increase in total license and grant revenues of \$1.8 million in fiscal 2022. The largest source of income in fiscal year 2022 resulted from the \$11.9 million in contract and grant revenue. The Research Foundation also recognized \$3.2 million in rental revenue during fiscal year 2022. During fiscal year 2021, the largest source of income resulted from investment earnings in the amount of \$28.9 million.

The following charts depict the sources of operating revenues for the periods ending June 30, 2022, 2021, and 2020.



FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

Other operating expenses were \$1.6 million and \$1.7 million in fiscal year 2022 and 2021, respectively.

Contributions to Florida State University decreased by \$22,000 from the prior year. The University partially reimburses the Research Foundation for overall patent expenses incurred. Due to decreased patent activity and patent expenses, reimbursements by the University to the Research Foundation were higher than in the previous year. The \$510,360 reimbursement from the University was less than the \$891,150 in contributions made by the Research Foundation.

The following list describes the types of receipts and disbursements made as Contributions (from) to the University in 2022, 2021, and 2020:

	Years Ended June 30,		
	2022	2021	2020
Contributions toward Office of Commercialization	\$ 16,473	\$ 36,936	\$ 33,519
Residuals available for research spending	43,985	47,800	102,242
Contracted services, recruiting, and other	788,492	921,295	182,051
Indirect Cost Distributed to Departments	90,000	50,000	200,000
Projects established at the Research Foundation, for the benefit of the University	-	-	-
Transfer from the Office of Research to fund University projects at the Research Foundation	-	-	-
Contributions from the University	(510,360)	(697,389)	(460,189)
	<u>\$ 428,590</u>	<u>\$ 358,642</u>	<u>\$ 57,623</u>

Non-operating revenues were approximately \$43.3 million less in 2022 compared to 2021. This decrease is primarily due to an investment loss related to less favorable market conditions. The Research Foundation had an investment loss of \$14.4 million in 2022 compared to \$28.9 million of investment earnings in 2021.

Economic Factors and Next Year's Budget

The Research Foundation finished the 2022 fiscal year with an increase in grant activity. There were 161 contracts and grants awarded which totaled over \$14 million. This increase can be attributed to more proposal activity over the pandemic and now faculty researchers are reaping the benefits with a strong award year. These external awards to the Research Foundation stem primarily from private companies, foundations, and foreign governments. Business has mostly gotten back to normal from the pandemic with the addition of flexible work from home options for eligible faculty and staff.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021
(Continued)

The Research Foundation endowment is the budget category most likely to be impacted by the next year's economic factors. Rising interest rates, a volatile market, and Board expenditures could impact our investment balance. While we are still invested and receiving steady income from ownership of Burt Reynolds Hall apartments and a loan for Champions Hall, we do not anticipate investment in additional capital projects outside of the Interdisciplinary Research and Commercialization Building.

The Research Foundation Board had approved construction of the IRCB at the total cost of \$92 million. The Research Foundation secured a \$44 million loan at a 2.51% interest rate over 15 years with semi-annual debt service payments coming from the endowment. Recently, costs have risen to approximately \$125 million and FSURF has agreed to contribute to the additional construction costs with endowment funds. This may cause a significant drop in the endowment balance. With funding in place, construction of the IRCB should begin in Fall 2022.

Another steady income source for the Research Foundation is the management of our seven buildings. Revenue continues to remain steady due to the almost 99% occupancy rate. We anticipate this to continue as we engage in long term planning with our tenants to allow for the expansion and contractions of our research centers.

For fiscal year 2023, the Research Foundation's Board of Directors approved a net operating budget of \$143,250 which represents a \$25,250 or 15% decrease from the prior year. This decrease is a combination of expected reduced earnings on Return of Capital from Investments in Buildings due to adjustments to reserve balances offset by an expected increase of receipts related to Indirect Costs.

Component Unit

The Research Foundation is considered a component unit of Florida State University, and as such, submits required financial information to be included in their government-wide and fund financial statements. Florida State University financial statements can be viewed at the following website: <http://controller.vpfa.fsu.edu/Annual-Financial-Reports>.

Request for Information

Questions concerning the financial information included in this report or requests for additional information should be addressed to Florida State University Research Foundation, Inc., 2000 Levy Ave Building A., Suite 351, Tallahassee, FL 32310.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 259,598	\$ 551,110
Current investments, unrestricted	105,840,070	164,930,942
Current investments, restricted	48,482,500	-
License fees and royalties receivable, net	144,421	373,166
Grants receivable, net	2,264,062	2,113,932
Notes receivable, current portion	1,639,495	1,749,814
Accounts receivable, other, net	612,063	430,509
Prepaid expenses	108,862	105,353
Total current assets	<u>159,351,071</u>	<u>170,254,826</u>
Noncurrent assets		
Non-current investments	5,094,635	4,823,856
Notes receivable, long term portion	13,707,103	15,346,599
Deposit held with Florida State University	45,205,665	3,546,887
Capital assets:		
Non-depreciable	2,618,820	2,618,820
Depreciable, net	25,274	39,874
Right to use leased asset, net	<u>12,207,817</u>	<u>13,323,518</u>
Total noncurrent assets	<u>78,859,314</u>	<u>39,699,554</u>
Total assets	<u>238,210,385</u>	<u>209,954,380</u>
 <u>LIABILITIES</u>		
Current liabilities		
Inventors' royalty allocations payable	102,483	304,696
Departmental royalty allocations payable	1,667,396	3,481,536
Other liabilities	182,313	170,647
Unearned restricted revenue	8,984,269	8,317,665
Florida State University fund payable	8,187,616	7,444,352
Lease liability, current portion	640,000	620,000
Note payable, current portion	655,000	-
Total current liabilities	<u>20,419,077</u>	<u>20,338,896</u>
Noncurrent liabilities		
Lease liability, long-term portion	6,667,369	7,373,187
Note payable, long-term portion	42,510,000	-
Annuity obligations	162,127	179,537
Total noncurrent liabilities	<u>49,339,496</u>	<u>7,552,724</u>
Total liabilities	<u>69,758,573</u>	<u>27,891,620</u>
 <u>NET POSITION</u>		
Net position		
Restricted for debt service	48,482,500	-
Net investment in capital assets	7,382,415	7,809,488
Unrestricted	112,586,897	174,253,272
Total net position	<u>\$ 168,451,812</u>	<u>\$ 182,062,760</u>

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

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
License and grant revenues		
Licensing fees and royalties	\$ 297,602	\$ 448,898
Contracts and grants - restricted	10,051,436	8,351,057
Administrative - unrestricted:		
Contracts and grants	1,572,599	1,166,863
Licenses and other	-	109,471
Total license and grant revenues	<u>11,921,637</u>	<u>10,076,289</u>
License and grant expense		
Inventors' royalty allocations	-	(143,166)
Departmental royalty allocations	(129,288)	(180,885)
Patent and licensing costs, net	(1,146,924)	(1,192,914)
Contracts and grants	(10,051,436)	(8,351,057)
Total license and grant expenses	<u>(11,327,648)</u>	<u>(9,868,022)</u>
Net license and grant income	<u>593,989</u>	<u>208,267</u>
Rent revenues (expenses)		
Rental revenue	3,194,790	3,183,042
Building occupancy costs:		
Interest on bonds	(187,681)	(205,831)
Amortization and depreciation	(1,128,753)	(1,117,964)
Other	(229,817)	(112,630)
Net rental income	<u>1,648,539</u>	<u>1,746,617</u>
Other operating revenues (expenses)		
Personnel costs	(874,080)	(772,550)
Contributions (to) from Florida State University	(380,791)	(358,642)
Miscellaneous	400,232	(83,297)
Research Foundation funded programs	(627,797)	(482,558)
Total other operating expenses	<u>(1,482,436)</u>	<u>(1,697,047)</u>
Operating income	<u>760,092</u>	<u>257,837</u>
Nonoperating revenues (expenses)		
Investment revenue (expense)	(14,385,071)	28,902,634
Investment portfolio fees	(75,731)	(67,942)
Interest income	139,752	182,786
Change in annuity value	(50,100)	(54,054)
Miscellaneous revenue	110	71
Total nonoperating revenues (expenses)	<u>(14,371,040)</u>	<u>28,963,495</u>
Change in net position	(13,610,948)	29,221,332
Net position, beginning of year	182,062,760	152,841,428
Net position, end of year	<u>\$ 168,451,812</u>	<u>\$ 182,062,760</u>

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

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Licensed products and building program:		
Licensing fees and royalties	\$ 526,347	\$ 382,473
Administrative fees from licenses and other	-	109,471
Rental income	3,194,989	3,185,727
Departmental allocation payments	(2,145,641)	609,860
Patent and licensing costs	(1,344,723)	(1,241,336)
Building occupancy	(288,992)	(186,047)
Interest paid on obligations under capital lease	(187,681)	(205,831)
IDC receivable from Florida State University	(3,669)	-
Net cash (used in) provided by licensed products and building program	<u>(249,370)</u>	<u>2,654,317</u>
Contracts and grants:		
Receipts	12,140,509	8,263,739
Disbursements	(10,149,325)	(8,217,384)
Net cash provided by contracts and grants	<u>1,991,184</u>	<u>46,355</u>
Other receipts or disbursements:		
Personnel costs	(874,080)	(772,550)
Research Foundation funded programs	(520,298)	(480,005)
Contributions (to) from Florida State University	379,685	(1,578,327)
Other (disbursements) receipts	394,640	(83,297)
Net cash used in other receipts or disbursements	<u>(620,053)</u>	<u>(2,914,179)</u>
Net cash provided by (used in) operating activities	<u>1,121,761</u>	<u>(213,507)</u>
Cash flows from noncapital financing activities		
Administrative fees and other	110	71
Deposits (made) returned from Florida State University	(41,055,000)	(104,824)
Other contribution revenue	43,165,000	-
Net cash provided by (used in) noncapital financing activities	<u>2,110,110</u>	<u>(104,753)</u>
Cash flows from investing activities		
Purchase of investments	(77,717,318)	(4,596,806)
Sale of investments	73,594,108	14,595,186
Interest income	139,752	182,786
Collections on notes receivable	1,749,815	1,486,954
Advances on notes receivable	-	(12,000,000)
Net cash used in investing activities	<u>(2,233,643)</u>	<u>(331,880)</u>
Cash flows from capital and related financing activities		
Principal payments on obligations under capital leases	(620,000)	(595,000)
Gift annuity payments	(67,510)	(67,510)
Purchase of land, land improvements, property under capital lease, and/or equipment	-	(131,321)
Construction of buildings	(602,230)	-
Net cash used in capital and related financing activities	<u>(1,289,740)</u>	<u>(793,831)</u>
Net decrease in cash and cash equivalents	(291,512)	(1,443,971)
Cash and cash equivalents, beginning of year	551,110	1,995,081
Cash and cash equivalents, end of year	<u><u>\$ 259,598</u></u>	<u><u>\$ 551,110</u></u>

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

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021
(Continued)

	<u>2022</u>	<u>2021</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 760,092	\$ 257,837
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Amortization and depreciation of capital and right to use lease assets	1,128,753	1,117,964
Amortization of bond premium	(65,819)	(65,819)
Changes in operating assets and liabilities:		
License fees and royalties receivables	153,912	21,400
Other receivables	(322,684)	(1,094,281)
Prepaid expenses	(3,509)	114,238
Change in allowance	65,833	(87,825)
Royalty allocations payable	(2,016,353)	933,911
Florida State University fund payable	743,264	(1,219,685)
Other liabilities	11,668	(40,595)
Unearned restricted revenue	666,604	(150,652)
Net cash provided by (used in) operating activities	<u>\$ 1,121,761</u>	<u>\$ (213,507)</u>
Supplemental noncash information		
Unrealized net investment (loss) gain	<u>\$ (26,836,092)</u>	<u>\$ 18,380,946</u>
Long term investment purchased with accounts payable	<u>\$ 270,779</u>	<u>\$ 55,779</u>

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

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(1) Reporting Entity:

The Florida State University Research Foundation, Inc. (the Research Foundation) is a direct support organization as provided for in Section 1004.28, Florida Statutes, Board of Governors Regulation 9.011, and Board of Trustees Regulation 6C2R-2.025. The Research Foundation is considered a component unit of Florida State University (the University). The Research Foundation was formed as a not-for-profit organization in September 1993, in the state of Florida. The purpose of the Research Foundation is to promote and assist the research and training activities of the University through income from contracts, grants, and other sources, including income derived from the development and commercialization of the University's work products.

The Research Foundation is responsible for (1) administering awards funded with private monies for research and development activities of the University where there is a commitment of the University's personnel, equipment, or other facilities; (2) administering income derived from patents and copyrights in accordance with the University's Policies on Patents and University-Sponsored Educational Materials (Copyrights); and (3) developing an infrastructure that supports research activities.

(2) Summary of Significant Accounting Policies:

(a) **Basis of accounting**—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. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

(b) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

(c) **Cash and cash equivalents**—Cash consists of deposits with a financial institution.

(d) **Investments**—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; Level 3 inputs are significant unobservable inputs. Investments in 2a7-like external investment pools are measured at amortized cost.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

(e) **Accounts receivable**—Receivables include grants receivables, license fees and royalty receivables, and other receivables such as rents and expense reimbursements, all of which are valued at net realizable value and are unsecured. It is the Research Foundation's policy to provide an allowance for accounts receivable that are not expected to be collected.

(f) **Deposits held with Florida State University**—The Research Foundation reports costs and contributions to Florida State University related to the architectural and engineering of the Interdisciplinary Research and Commercialization Building (IRCB) and deposits related to other construction projects as deposits held with Florida State University.

(g) **Notes receivable**—Notes receivable include an amount due from the Florida State University Board of Trustees for and on behalf of its Department of Intercollegiate Athletics and an amount due from the Florida State University Real Estate Foundation.

(h) **Capital and right to use lease assets**—Capital assets include land, construction in progress, equipment, and computer software with a useful life greater than one year. Building assets with an initial cost greater than \$100,000 and equipment assets with an initial cost greater than \$5,000 are recorded at cost and depreciated utilizing the straight-line method over the estimated useful lives of assets (generally five years for equipment and 12 to 30 years for buildings). Right to use lease assets with lease values exceeding \$100,000 are amortized over the shorter of the lease term or the useful life of the asset. Renovation costs on buildings under lease are capitalized as a right to use lease asset and amortized over the shorter of the useful life of the asset or the remaining life of the lease as of the date construction is completed.

(i) **Royalty allocations payable**—Royalty allocations payable consists of two balance sheet components, the inventors' allocations payable and the inventors' department allocations payable.

(j) **Bond premiums**—The Research Foundation amortizes bond premiums over the term of the related obligations under capital leases (bonds) using the straight-line method.

(k) **Patent and licensing costs**—The Research Foundation recognizes patent and licensing costs as incurred. The Research Foundation receives patent and license cost reimbursements from licensees, which are recorded as offsetting the patent and licensing cost expense incurred by the Research Foundation during the year.

(l) **Income taxes**—Pursuant to a determination letter received from the Internal Revenue Service, the Research Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and as such is liable for tax only on business income unrelated to the purpose for which it is exempt. No provision for income tax expense or liability has been made in either year presented. There are currently no Internal Revenue Service audits in progress for any tax periods, and no significant nonfederal tax jurisdictions. The Research Foundation's income tax returns for the past three years remain subject to examination.

(m) **Licensing fees and royalties**—The Research Foundation recognizes licensing and royalty revenues on commercialization agreements resulting from intellectual property produced at Florida State University. Revenue is reported net of changes in allowance for doubtful accounts on related receivables.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

(n) **Administrative revenue – unrestricted**—The Research Foundation recognizes administrative overhead and residual revenues on restricted contracts, grants, and licenses on an annual basis. These amounts are considered unrestricted and remain on deposit with the Research Foundation to support research activity at the University.

(o) **Revenue recognition**—

- (i) *Operating revenues*—includes activities that have the characteristics of exchange transactions, such as contracts and grants, building rental, and royalties and licensing. Exchange transactions are transactions in which each party receives and gives up essentially equal values.
- (ii) *Nonoperating revenues*—includes activities that have characteristics of nonexchange transactions, such as investment income. Nonexchange transactions are transactions in which an entity either gives or receives value to another party without directly giving or

(p) **Net position**—Net position is classified and displayed in three components:

- (i) Net investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.
- (ii) Restricted - consists of net position that has constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provisions or enabling legislation, reduced by any liabilities to be paid from these assets.
- (iii) Unrestricted - consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." When both restricted and unrestricted net position is available for use, it is the Research Foundation's policy to use the restricted resources first, then unrestricted resources as they are needed.

(q) **Pronouncements issued**— GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Research Foundation is currently evaluating the effect that Statement No. 96 will have on its financial statements.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

The Research Foundation evaluated the effects that implementation of the new standard will have on its financial position, results of operations, and cash flows, noting no material impact in the current year.

(r) **Subsequent events**—The Research Foundation evaluated all events and transactions that occurred from July 1, 2022 through October 14, 2022, the date the financial statements were available for issuance. During the period from July 1, 2022 to October 14, 2022, the Research Foundation did not have any material recognized subsequent events.

(3) **Deposits Held with Florida State University:**

Deposits held with the University consist of a deposit balances related to the architectural and engineering design agreement for the Inter-disciplinary Research and Commercialization Building (IRCB) entered into on May 4, 2015, and subsequent deposits made thereafter. As of the years ended June 30, the deposits held with Florida State University were as follows:

	June 30,	
	2022	2021
Beginning Balance	\$ 3,546,887	\$ 3,442,063
Additions	41,658,778	104,824
Deductions	-	-
Ending Balance	<u>\$ 45,205,665</u>	<u>\$ 3,546,887</u>

(4) **Deposits and Investments:**

Current investments have maturities of one year or less. Current investments consist of SBA Florida PRIME Money Market Pool and Vanguard Mutual Funds. Non-Current Investments have maturities of greater than one year. As of June 30, 2022 and June 30, 2021, non-current investments consist of equity interests in two Florida Limited Liability Companies and a commercial real estate property in which the sole purpose is to generate cash flows.

Fair value of investments—In general, investments are reported at fair value when available. The Research Foundation categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The Fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value:

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(4) Deposits and Investments: (Continued)

Level 1 – Inputs are quoted prices in active markets for identical assets.

Level 2 – Inputs are significant other observable inputs.

Level 3 – Inputs are significant unobservable inputs.

- The real estate investment is valued using a combination of valuation methods including a professional appraisal and estimated capitalization value based on actual revenues.

Investments not reported at fair value:

- Investments in 2a7-like external investment pools are reported at amortized cost.
- Partnership investments in which the Research Foundation does not exercise significant influence over the operations and financial policies of the partnership are reported at cost.

<u>As of June 30, 2022</u>	<u>Reported Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Domestic equity mutual funds	\$ 96,374,745	\$ 96,374,745	\$ -	\$ -
Domestic bond mutual funds	18,832,398	18,832,398	-	-
Real estate investment	3,730,000	-	-	3,730,000
Total Investments by Fair Value Level	<u>\$118,937,143</u>	<u>\$115,207,143</u>	<u>\$ -</u>	<u>\$ 3,730,000</u>
Investments not reported at fair value				
SBA Florida PRIME (<i>amortized cost</i>)	\$ 39,115,427			
Partnership investment (<i>cost</i>)	1,364,635			
Total investments not reported at fair value	<u>40,480,062</u>			
Total Investments	<u>\$ 159,417,205</u>			

<u>As of June 30, 2021</u>	<u>Reported Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
Domestic equity mutual funds	\$107,105,611	\$107,105,611	\$ -	\$ -
Domestic bond mutual funds	15,102,816	15,102,816	-	-
Real estate investment	3,730,000	-	-	3,730,000
Total Investments by Fair Value Level	<u>\$125,938,427</u>	<u>\$122,208,427</u>	<u>\$ -</u>	<u>\$ 3,730,000</u>
Investments not reported at fair value				
SBA Florida PRIME (<i>amortized cost</i>)	\$ 42,722,515			
Partnership investment (<i>cost</i>)	1,093,856			
Total investments not reported at fair value	<u>43,816,371</u>			
Total Investments	<u>\$ 169,754,798</u>			

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(4) Deposits and Investments: (Continued)

At June 30, 2022, the Research Foundation has the following investments and maturities:

	Reported Value	Years			
		Less Than 1	1-5	6-10	More Than 10
Money Market Accounts	\$ 39,115,427	\$ 39,115,427	\$ -	\$ -	\$ -
Domestic Equity Mutual Funds	96,374,745	No Maturity	-	-	-
Domestic Bond Mutual Funds	18,832,398	69,680	7,465,163	6,045,200	5,252,356
Commercial real estate	3,730,000	No Maturity	-	-	-
Partnership Investment	1,364,635	No Maturity	-	-	-
	<u>\$ 159,417,205</u>	<u>\$ 39,185,107</u>	<u>\$ 7,465,163</u>	<u>\$ 6,045,200</u>	<u>\$ 5,252,356</u>

Money Market Accounts includes \$39,115,427 invested in SBA Florida PRIME with a Weighted Average Maturity (WAM) of 28 days.

At June 30, 2021, the Research Foundation has the following investments and maturities:

	Reported Value	Years			
		Less Than 1	1-5	6-10	More Than 10
Money Market Accounts	\$ 42,722,515	\$ 42,722,515	\$ -	\$ -	\$ -
Domestic Equity Mutual Funds	107,105,611	No Maturity	-	-	-
Domestic Bond Mutual Funds	15,102,816	119,312	7,276,537	4,493,088	3,213,879
Commercial real estate	3,730,000	No Maturity	-	-	-
Partnership Investment	1,093,856	No Maturity	-	-	-
	<u>\$ 169,754,798</u>	<u>\$ 42,841,827</u>	<u>\$ 7,276,537</u>	<u>\$ 4,493,088</u>	<u>\$ 3,213,879</u>

Money Market Accounts includes \$42,722,515 invested in SBA Florida PRIME with a Weighted Average Maturity (WAM) of 50 days.

Credit risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Research Foundation. In accordance with the Research Foundation’s investment policy, the minimum average credit quality rating of a bond mutual fund shall be investment grade or higher, or BBB/Baa or higher.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(4) Deposits and Investments: (Continued)

As of June 30, 2022, the Research Foundation has the following debt instrument credit quality ratings:

	<u>Reported Value</u>	<u>U.S. Government</u>	<u>AAA (AAAm)</u>	<u>AA</u>	<u>A</u>	<u>Less than A rated</u>	<u>Not Rated</u>
Money Market Accounts	\$ 39,115,427	\$ -	\$ 39,115,427	\$ -	\$ -	\$ -	\$ -
Domestic Bond Mutual Funds	18,832,398	\$ 12,657,255	721,281	564,972	2,199,624	2,687,383	1,883
	<u>\$ 57,947,825</u>	<u>\$ 12,657,255</u>	<u>\$ 39,836,708</u>	<u>\$ 564,972</u>	<u>\$ 2,199,624</u>	<u>\$ 2,687,383</u>	<u>\$ 1,883</u>

As of June 30, 2021, the Research Foundation has the following debt instrument credit quality ratings:

	<u>Reported Value</u>	<u>AAA (AAAm)</u>	<u>Aa</u>	<u>A</u>	<u>Less than A rated</u>	<u>Not Rated</u>
Money Market Accounts	\$ 42,722,515	\$ 42,722,515	\$ -	\$ -	\$ -	\$ -
Domestic Bond Mutual Funds	15,102,816	10,378,655	504,434	1,792,704	2,427,023	-
	<u>\$ 57,825,331</u>	<u>\$ 53,101,170</u>	<u>\$ 504,434</u>	<u>\$ 1,792,704</u>	<u>\$ 2,427,023</u>	<u>\$ -</u>

Investment revenues consisted of the following amounts:

	<u>Years Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Realized gains on current investments	\$ 12,451,021	\$ 10,521,688
Unrealized (losses) gains on current investments	(26,836,092)	18,380,946
Total investment revenues (expense)	<u>\$ (14,385,071)</u>	<u>\$ 28,902,634</u>

Custodial credit risk—Custodial credit risk is the risk of loss attributed to the magnitude of the Research Foundation’s investments held by outside parties. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor or collateralized with securities in Florida’s multiple financial institution collateral pool pursuant to Chapter 280, Florida Statutes. At June 30, 2022, the carrying amount of deposits totaled \$259,598. At June 30, 2021 the carrying amount of deposits totaled 551,110. The Research Foundation has not experienced any losses in such accounts.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(4) Deposits and Investments: (Continued)

Partnership investment—The Research Foundation has invested in an equity holding in a Florida Limited Liability Company (the Company) that is in the business of producing materials resulting from intellectual property of Florida State University. During the year ended June 30, 2022 and 2021 the Research Foundations equity interest in the Company was roughly 34% of the total shares outstanding. Partnership investment is reported as a non-current investment and is recorded using the cost approach.

Concentration of credit risk—The financial instruments exposed to concentrations of credit risk consist primarily of cash, cash equivalents, and investments. All investment transactions have credit exposure to the extent that a counterparty may default on an obligation to the Research Foundation. Credit risk is a consequence of carrying investment positions. To manage credit risk, the Research Foundation limits its exposure by investing primarily in the SBA investment pools and Vanguard Mutual Funds, which invest in higher quality investments with varying maturity rates.

As of June 30, 2022, Standard and Poor's Ratings Services assigned its "AAAm" principal stability fund rating to Florida PRIME. The occurrence of an event that has a material impact on liquidity or operations of the trust fund can cause limits on contributions or withdrawals. During the fiscal year there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100% of their account value. Separate financial statements for the pool are available by contacting the Florida State Board of Administration.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Research Foundation minimizes interest rate risk by limiting the average duration of the fixed income portfolio to not exceed the average duration of the broad US fixed income market – approximately six years as well as a maturity limit of nine years.

Foreign currency risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

The Research Foundation has no formal investment policy with regard to foreign currency risk for the investments, consisting of various Vanguard mutual funds which all state that there are inherent risks involved when investing in international securities through mutual funds that are not present with investments in domestic securities. The Research Foundation was not exposed to foreign currency risk as of June 30, 2022 and 2021.

(5) Commitments:

The Florida State University Research Foundation, Inc. has commenced construction on the Interdisciplinary Research and Commercialization Building (IRCB). As total construction costs have recently increased to approximately \$125 million, the Research Foundation has agreed to contribute to the additional construction costs. However, the total future commitment has not been finalized.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(6) License Fees & Royalty Receivables, Grant Receivables, and Accounts Receivable:

License fees and royalties receivables consist of the following as of the years ended June 30:

<u>As of June 30,</u>	<u>2022</u>	<u>2021</u>
License fees and royalties receivable, gross	\$ 264,254	\$ 418,166
Allowance for doubtful accounts	(119,833)	(45,000)
License fees and royalties receivable, net	<u>\$ 144,421</u>	<u>\$ 373,166</u>

Grants receivables consist of the following as of the years ended June 30:

<u>As of June 30,</u>	<u>2022</u>	<u>2021</u>
Grants receivable, gross	\$ 2,264,062	\$ 2,113,932
Allowance for doubtful accounts	-	-
Grants receivable, net	<u>\$ 2,264,062</u>	<u>\$ 2,113,932</u>

Accounts receivable – other consists of the following as of the years ended June 30:

<u>As of June 30,</u>	<u>2022</u>	<u>2021</u>
Due from Florida State University, gross	\$ 138,948	\$ 135,469
Patent & license cost reimbursement receivable, gross	473,115	304,040
Allowance for doubtful accounts	-	(9,000)
Accounts Receivable – other, net	<u>\$ 612,063</u>	<u>\$ 430,509</u>

(7) Designated Unrestricted Net Position:

Designated unrestricted net position balances are reserved by the Board for special use. The Board may rescind its action at any time. Since these designations are not the result of donor-imposed or contractual restrictions, they are reflected as a component of unrestricted net position in the Statement of Net Position. The Research Foundation's Board has designated portions of the unrestricted net position for the following purposes:

<u>As of June 30</u>	<u>2022</u>	<u>2021</u>
Designated		
Building Maintenance & Equipment Reserve	\$ 2,998,898	\$ 2,774,783
Building Vacancy & Renovation Reserve	1,617,577	2,095,177
Building Debt Guaranty Reserve	940,413	905,413
Inter-disciplinary Research & Commercialization Building	44,507,073	509,903
Research Enhancement	3,427,226	3,522,076
GAP Program	173,124	427,718
Total Designated	<u>53,664,311</u>	<u>10,235,070</u>
Total Non-Designated	<u>58,783,218</u>	<u>164,018,202</u>
Total Unrestricted Net Position	<u>\$ 112,447,529</u>	<u>\$ 174,253,272</u>

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(8) Notes Receivable:

On August 15, 2018, the Research Foundation provided an \$8,000,000 loan bearing interest of 3.25% to the Florida State University Board of Trustees for and on behalf of its Department of Intercollegiate Athletics (the Department) to fund the Seminole Golf Course and Club Capital Improvement Project. The promissory note calls for monthly payments of \$123,778 beginning January 15, 2019 and ending on December 15, 2024, with interest accruing from August 15, 2018 through the first payment on January 15, 2019. The Department intends to fund the repayment from pledged donations to the Seminole Golf Course and Club Capital Improvement Project. Note receivable balances as of June 30, 2022 and 2021 were \$3,566,533 and \$4,914,065, respectively.

On June 4, 2021, the Research Foundation provided an \$12,000,000 loan bearing interest of 3.25% to the Florida State University Real Estate Foundation to fund the purchase of the Champions Hall living facilities. The promissory note calls for monthly payments of \$52,225 beginning August 1, 2021 and ending on July 1, 2028, with all remaining principal and interest payments due at that time. The note receivable balance as of June 30, 2022 and 2021 were \$11,780,065 and \$12,000,000, respectively.

(9) Patent and Licensing Costs:

Patent and licensing costs activity for the years ended June 30 are as follows:

	June 30,	
	2022	2021
Patent and licensing costs, gross	\$ 1,740,751	\$ 1,912,278
Reimbursements collected and receivable, gross	(593,827)	(719,364)
Increase in allowance for doubtful accounts	-	-
Patent and licensing costs, net	<u>\$ 1,146,924</u>	<u>\$ 1,192,914</u>

(10) Unearned Restricted Revenue:

Unearned restricted revenue consists of the unexpended portions of contracts and grants that are being administered by the Research Foundation. Revenue is recognized only to the extent expenses are incurred in executing the applicable contracts and grants.

Changes in unearned restricted revenue from these contracts and grants consist of the following as of June 30,:

	2022	2021
Beginning balance	\$ 8,317,665	\$ 8,468,317
Contracts and grants receipts	12,290,639	9,367,268
Restricted contracts and grants expenditures	(10,051,436)	(8,351,057)
Administrative contracts and grants expenditures	(1,572,599)	(1,166,863)
Ending balance	<u>\$ 8,984,269</u>	<u>\$ 8,317,665</u>

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(11) Royalty Allocations Payable:

Inventor's royalty allocation payable — The inventors' allocations payable is comprised of monies due to individuals responsible for the development of various patented or copyrighted research. As royalties are accrued, the Research Foundation calculates the amount due to the inventors, records an expense, and accrues a liability for this amount. Subsequent distributions are then charged against the accrued liability in the following fiscal year. As of June 30, 2022 and 2021, the inventors' allocations payable balance was \$102,483 and \$304,696, respectively.

Departmental royalty allocation payable — The inventors' department allocations payable makes up the largest piece of this liability. The department or unit of which the inventor is a member receives a percentage of royalties earned. When royalties are accrued, the Research Foundation calculates the amount due to the department and records an expense and a liability. Allocations stay on deposit with the Research Foundation and departments have authority to spend down the balance on research-related items. At year end, the payable reflects amounts earned and available to the departments. As of June 30, 2022 and 2021, the inventors' department allocations payable balance was \$1,667,396 and \$3,481,536, respectively.

(12) Capital Assets:

Land and land improvements:

During fiscal year 2015, Chieftan, Inc., purchased land with a building referred to as the Chieftan Green Apartment Complex (Complex) with the intention to demolish the facility and build a research building in the future after renting out the facility for a few years. During fiscal year 2016, ownership of the Complex was transferred from Chieftan, Inc., to the Research Foundation. The Complex was demolished once the leases ended July 31, 2018, and a parking lot was constructed for temporary use. The temporary parking lot is managed by Florida State University Parking and Transportation and will provide revenue to the Research Foundation. The long-term purpose of the property continues to be the building of a biomedical facility on the property. As of June 30, 2022 and June 30, 2021 the Research Foundation has \$1,467,000 recorded as land and land improvements related to the Chieftan property.

In August 2018, the Research Foundation purchased property adjacent to the Chieftan Green Apartment Complex, known as Conradi, to provide additional land for the future biomedical facility. During the 2020 fiscal year, the Research Foundation demolished the existing building and expanded the temporary parking lot from the Chieftan Green Apartment Complex property. As of June 30, 2022 and June 30, 2021, the Research Foundation had \$366,820 recorded as land and land improvements related to the Conradi property.

At June 30, 2022 and June 30, 2021, land consists of the Complex land and a donated property related to the gift annuity program as described in Note 14.

Right to Use Lease Assets:

The Research Foundation operates all or portions of seven buildings owned by the University as lessor with associated lessee arrangements with the University. See Note 13.

Other:

The Research Foundations capital assets also consist of various other assets meeting the criteria for capitalization such as software and equipment. A comprehensive summary of capital asset activity for the year is presented below:

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(12) **Capital Assets:** (Continued)

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Capital Assets, Not Being Depreciated:				
Land	\$ 2,618,820	\$ -	\$ -	\$ 2,618,820
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	2,618,820	-	-	2,618,820
Capital Assets Being Depreciated/Amortized:				
Right to use leased asset	30,015,243	-	(1,547)	30,013,696
Equipment	123,907	-	-	123,907
Computer software	79,658	-	-	79,658
Total Capital Assets Being Depreciated/Amortized	30,218,808	-	(1,547)	30,217,261
Less Accumulated Depreciation/Amortization For:				
Right to use leased asset	(16,691,725)	(1,115,701)	1,547	(17,805,879)
Equipment	(84,033)	(14,600)	-	(98,633)
Computer software	(79,658)	-	-	(79,658)
Total Accumulated Depreciation/Amortization	(16,855,416)	(1,130,301)	1,547	(17,984,170)
Total Capital Assets, Net of Depreciation/Amortization	13,363,392	(1,130,301)	-	12,233,091
Capital Assets, Net	\$ 15,982,212	\$ (1,130,301)	\$ -	\$ 14,851,911
	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Capital Assets, Not Being Depreciated:				
Land	\$ 2,618,820	\$ -	\$ -	\$ 2,618,820
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	2,618,820	-	-	2,618,820
Capital Assets Being Depreciated/Amortized:				
Right to use leased asset	29,883,922	131,321	-	30,015,243
Equipment	123,907	-	-	123,907
Computer software	79,658	-	-	79,658
Total Capital Assets Being Depreciated/Amortized	30,087,487	131,321	-	30,218,808
Less Accumulated Depreciation For:				
Right to use leased asset	(15,588,359)	(1,103,366)	-	(16,691,725)
Equipment	(69,434)	(14,599)	-	(84,033)
Computer software	(79,658)	-	-	(79,658)
Total Accumulated Depreciation/Amortization	(15,737,451)	(1,117,965)	-	(16,855,416)
Total Capital Assets, Net of Depreciation/Amortization	14,350,036	(986,644)	-	13,363,392
Capital Assets, Net	\$ 16,968,856	\$ (986,644)	\$ -	\$ 15,982,212

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(13) Leases:

The Research Foundation operates all or portions of seven buildings owned by the University as lessor with associated lessee arrangements with the University to cover related construction costs or debt service.

Materials Research Building (MRB)

The Research Foundation entered into an agreement with the University to construct the Materials Research Building. The costs of construction were to be funded primarily by the University and supplemented with additional funds by the Research Foundation. The construction of the building was substantially complete in December 2008. The Research Foundation entered into a lease agreement with the University to manage the building, with rental terms equal to the original costs expended by the Research Foundation net of University reimbursements of \$2,059,067. The right to use asset is amortized over the life of the lease, which runs through June 30, 2040. Accumulated amortization as of June 30, 2022 and 2021 is \$875,867 and \$810,134, respectively. Because the rental payments were made in advance during construction, there is no associated lease liability for this lease.

Aero-Propulsion, Mechatronics, and Energy (AME) Building

During fiscal year 2008, the Research Foundation entered into an agreement with the University to construct the AME Building. The costs of construction were to be funded primarily by the University and supplemented with additional funds by the Research Foundation. The construction of the building began in fiscal year 2009 and was substantially complete in December 2011. The Research Foundation entered into a lease agreement with the University to manage the building, with rental terms equal to the original costs expended by the Research Foundation net of University reimbursements of \$674,232. The right to use asset is amortized over the life of the lease, which runs through June 30, 2043. Accumulated amortization as of June 30, 2022 and 2021 is \$220,836 and \$199,610, respectively. Because the rental payments were made in advance during construction, there is no associated lease liability for this lease.

Buildings A and B

The Research Foundation entered into an agreement with the University to guarantee bonds associated with the construction of Buildings A and B and operate these buildings as lessor. Debt service payments are secured and paid from pledged lease payments from the tenants of the Research Foundation. Under the agreements, the Research Foundation receives rents, pays part of the operating costs, and is responsible for making the debt service payments on the related bonds. Construction costs for each of these buildings were funded from bond proceeds and an associated lease liability is recorded. See Note 14 for discussion of guaranty agreements for Buildings A and B. Subsequent renovation construction costs incurred by the Research Foundation during 2018 and 2019 (after the FSU Foundation vacated the space) of \$1,485,000 were capitalized into the right to use lease asset and amortized over the remaining life of the lease as of the date construction was completed. The terms of the lease expire in 2031 when the associated bond held by the University matures (see Note 14). The leases for Buildings A and B are discounted at an implicit rate of 4%.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(13) **Leases:** (Continued)

The table below summarizes future maturities of lease payments as of June 30, 2022:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 1,679,597	\$ 69,983	\$ 1,749,580
2024	1,624,830	67,701	1,692,531
2025	1,388,795	57,866	1,446,661
2026	1,392,668	58,028	1,450,696
2027	-	-	-
2028-2031	-	-	-
Total	<u>\$ 6,085,890</u>	<u>\$ 253,578</u>	<u>\$ 6,339,468</u>

Other Managed Properties

The Shaw Building and the buildings located at 3000 and 3200 Commonwealth are owned by the University and are either fully or partially managed/leased by the Research Foundation

The Research Foundation recognizes rental income from subleases from the properties described above in the amounts of \$3,194,790 and \$3,183,042, respectively. Leases where a department of the University is lessee have an annual non-cancellable term. Leases with unrelated tenants have varying terms and as of June 30, 2022 and 2021, the Research Foundation determined that these leases do not meet the thresholds set forth in their capital and right to use lease assets policy.

(14) **Long Term Liabilities**

Lease Liabilities – Guaranty Agreements:

As of June 30, 2022 and 2021, the Research Foundation has assets recorded under leases (see Notes 12 and 13). Prior to 2013, the Research Foundation entered into a guaranty agreement for the issuance of Florida Board of Education Series 2001 Revenue Bonds, the proceeds of which were used to construct research and development facilities (Buildings A and B) for the benefit of the University. On January 4, 2013, the Research Foundation entered into a guaranty agreement for the issuance of \$11,920,000 of Series 2012 Revenue Refunding Bonds by the Florida Board of Governors. The proceeds, together with \$5,000,000 of available funds from the Research Foundation, were used to refund all of the outstanding Florida Board of Education Series 2001 Revenue Bonds, and to pay costs of issuance. The bonds bear interest rates ranging from 3.00% to 4.00%. The Research Foundation operates these buildings as lessor. Debt service payments are secured and paid from pledged lease payments received from the tenants of the Research Foundation. The refunding resulted in a reduction in future minimum lease payments of \$11,053,435 over the next 19 years and obtained a present value savings of \$3,792,528.

As of June 30, 2022 and 2021, lease liabilities consist of:

	June 30, 2022	June 30, 2021
Obligations under leases	\$ 6,715,000	\$ 7,335,000
Bond premium	592,369	658,187
Total lease liability	<u>\$ 7,307,369</u>	<u>\$ 7,993,187</u>

See Note 13 for additional disclosures related to the Research Foundation's leases.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(14) **Long Term Liabilities** (Continued)

Gift Annuity Program

In July of 2002, the Research Foundation accepted a donation of land with an appraised value at the time of donation of \$785,000. As a condition of the donation, the Research Foundation entered into a charitable gift annuity agreement with the donor. Required payments under the annuity agreement are \$67,510 per year, payable in equal quarterly payments beginning September 30, 2002. At June 30, 2022 and 2021, the annuity payable is recorded at its present value of \$162,127 and \$179,537, respectively. A discount rate of 2.95% is used. The annuity obligation is adjusted at the end of each year based on life expectancy tables.

Florida Statutes require that qualified organizations that enter into annuity agreements with a donor must maintain admitted assets at least equal to the sum of the reserves on its outstanding annuity agreements. In addition, the organization must maintain a surplus of 25% of such reserves. To comply with these Statutes, it is management's intention to maintain assets equal to the required reserve until the annuity obligation is satisfied.

Note payable

In April of 2022, the Research Foundation entered into a 15-year loan agreement with a national bank to finance its portion of the buildout of the Interdisciplinary Research and Commercialization Building. The total loan amount is \$44,075,000 at 2.51% interest per annum secured by a portion of the Research Foundation's investments. The investments are shown as restricted on the statement of net position. Payments on the note are made twice annually.

The table below summarizes long term liabilities for the years ended June 30, 2022 and June 30, 2021:

	June 30, 2021	Additions	Deletions	June 30, 2022	Due Within One Year
Lease liability, net	\$ 7,993,187	\$ -	\$ 685,818	\$ 7,307,369	\$ 640,000
Annuity obligations	179,537	-	17,410	162,127	-
Note payable	-	44,075,000	910,000	43,165,000	655,000
Total long-term liabilities	<u>\$ 8,172,724</u>	<u>\$ 44,075,000</u>	<u>\$ 1,613,228</u>	<u>\$ 50,634,496</u>	<u>\$ 1,295,000</u>

	June 30, 2020	Additions	Deletions	June 30, 2021	Due Within One Year
Lease liability, net	\$ 8,654,006	\$ -	\$ 660,819	\$ 7,993,187	\$ 620,000
Annuity obligations	192,993	-	13,456	179,537	-
Total long-term liabilities	<u>\$ 8,846,999</u>	<u>\$ -</u>	<u>\$ 674,275</u>	<u>\$ 8,172,724</u>	<u>\$ 620,000</u>

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

(14) **Long Term Liabilities** (Continued)

The table below summarizes future maturities of obligations under leases:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 640,000	\$ 228,700	\$ 868,700
2024	670,000	203,100	873,100
2025	695,000	176,300	871,300
2026	720,000	148,500	868,500
2027	750,000	119,700	869,700
2028-2031	3,240,000	246,450	3,486,450
Total	<u>\$ 6,715,000</u>	<u>\$ 1,122,750</u>	<u>\$ 7,837,750</u>

The table below summarizes future maturities of the note payable:

Year Ending June 30,	Principal	Interest	Total
2023	\$ -	\$ 544,921	\$ 544,921
2024	2,630,000	1,056,836	3,686,836
2025	2,695,000	990,007	3,685,007
2026	2,760,000	921,547	3,681,547
2027	2,830,000	851,392	3,681,392
2028-2032	15,260,000	3,140,638	18,400,638
2033-2037	16,990,000	1,102,204	18,092,204
Total	<u>\$ 43,165,000</u>	<u>\$ 8,607,545</u>	<u>\$ 51,772,545</u>

**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**

The Board of Directors
Florida State University Research Foundation, Inc.
Tallahassee, 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 activities of the Florida State University Research Foundation, Inc. (the Research Foundation), as of and for the year ended June 30, 2022, 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 October 14, 2022.

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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Research Foundation's internal control over financial reporting. 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

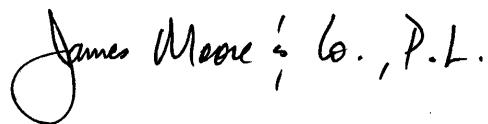
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given 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 style with a large, looping initial "J".

Tallahassee, Florida
October 14, 2022