

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

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 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 Florida State University Research Foundation, Inc. as of June 30, 2021 and 2020, 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.

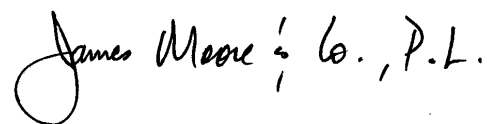
Other Matters

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 September 23, 2021, 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.

James Moore & Co., P.L.

Tallahassee, Florida
September 23, 2021

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

Florida State University Research Foundation, Inc. (the Research Foundation) is pleased to present its financial statements for fiscal years 2021 and 2020. 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 increased from \$152.8 million to \$182.1 million at June 30, 2021. The net increase is a result of the earnings 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 \$448,898 in fiscal year 2021 as compared to \$559,177 in fiscal year 2020. The decrease of approximately \$110,000 is related to financial impact on several companies holding licenses with the Research Foundation over the past fiscal year.
- **Contract and grant revenues** decreased from the prior year. Contract and grant revenues were \$8.4 million in 2021 as compared to \$11.6 million in 2020. This decrease in contract and grant revenue is attributed to the decrease of contract and grant research activity during fiscal year 2021.
- **Building rental revenues** were \$3.2 million in both fiscal year 2021 and 2020, with an increase of approximately \$18,000. 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.

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

- **Investment revenues** consisted of a gain of \$28.9 million during fiscal year 2021 compared to \$5.4 million during fiscal year 2020. During the fiscal year 2021, the Research Foundation realized an investment return of approximately 24.9% as compared to 4.3% the previous fiscal year.

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 2021 there were five full Krafft professors, two partial Krafft professor, and two Edgar professors for a total commitment of \$273,000 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 2021, there was an increase in total assets of \$28 million.

The current assets increased by \$18.6 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 increased by approximately \$18.8 million due to allowing earnings to be reinvested during the current year offset by the issuance of additional Note receivables.

Grants receivable increased by \$1 million due to several projects with larger outstanding balances in the current year due to extensions on collection times because of the global economic situation.

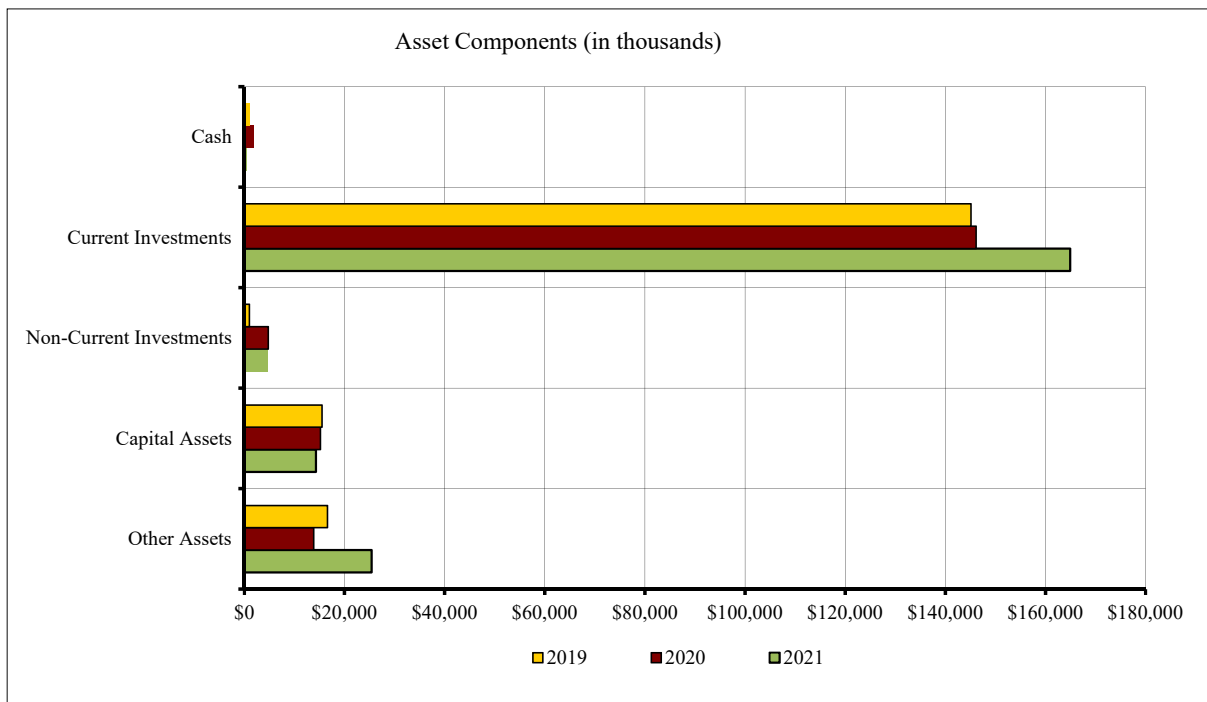
Non-current investments increased by \$56,000 during fiscal year 2021 mainly due to the Research Foundation's additional investment in Synth Taxus.

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

The non-current portion of Notes receivable increased by approximately \$10 million. The increase is due to the issuance of a new note receivable of \$12 million offset by payments received against the previous outstanding notes balance based on the corresponding payment schedules.

Depreciable capital assets (net) decreased by \$900,000. This was the result of capital additions related to the completion of a Suite in Building A of \$131,000 offset by the annual amortization of \$1.1 million 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, 2021, 2020 and 2019:



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 2021, this payable increased by \$1.1 million due to the continued departmental spending being less 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 decreased by \$151,000 in 2021 due to the decrease in contract and grant funding received by the Research Foundation but not yet spent during the current fiscal year.

Other payables decreased by \$41,000 primarily due to less outstanding payables at the end of the 2021 fiscal year.

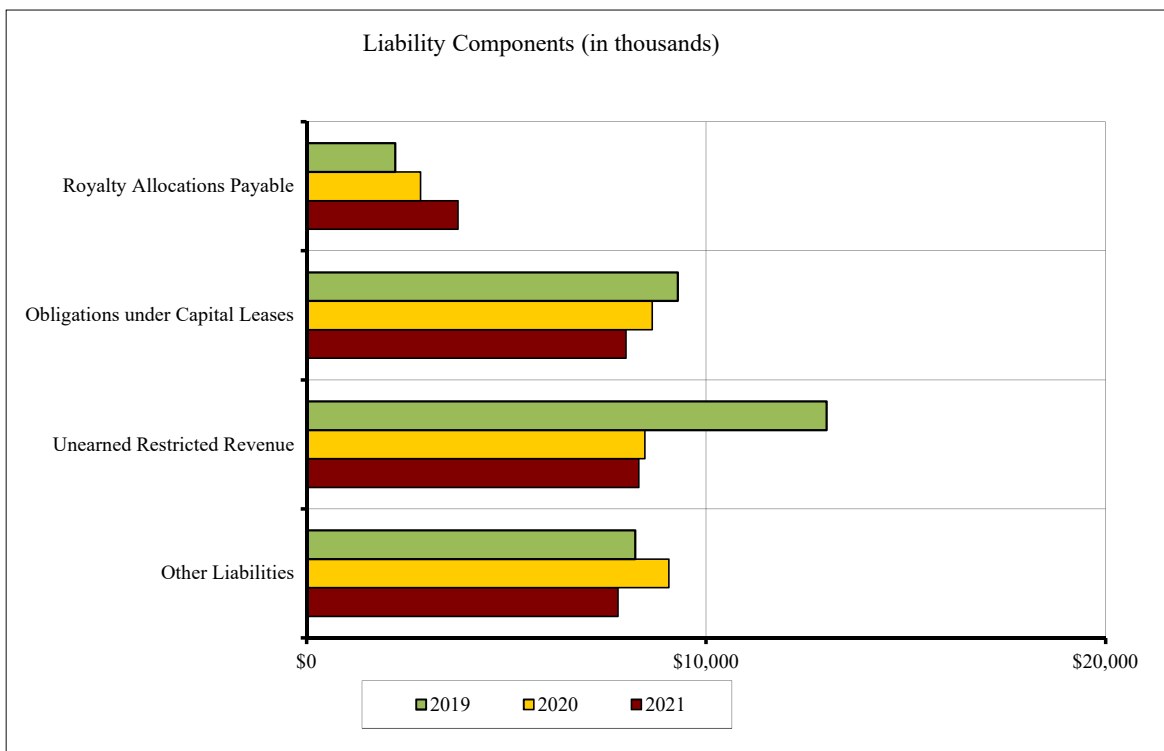
FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(Continued)

In addition, obligations under capital leases (current and non-current, net) decreased by \$661,000 which is equal to the annual principle payment to the State Board of Administration and the amortization of the bond premium.

The University fund payable decreased by \$1.2 million mainly due to an increase in the frequency salaries are reimbursed to the University during fiscal 2021.

In 2021, total liabilities decreased by \$1.2 million. The decrease is primarily attributable to the decrease in the University fund payable of \$1.2 million as well as the decrease in obligations under capital leases of \$661,000 offset by the increase in royalty allocations of \$1.1 million, both as noted above.

The following chart illustrates the liability components at June 30, 2021, 2020 and 2019:



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, 2021 AND 2020
(Continued)

Net Position (in millions)	Years Ended June 30,		
	2021	2020	2019
Current and Other Assets	\$ 195.7	\$ 166.7	\$ 163.8
Capital Assets and Land	14.3	15.2	15.5
Total Assets	\$ 210.0	\$ 181.9	\$ 179.3
Debt Outstanding - Capital Assets	\$ 8.0	\$ 8.7	\$ 9.3
Other Liabilities	19.9	20.4	23.5
Total Liabilities	\$ 27.9	\$ 29.1	\$ 32.8
Net Investment in Capital Assets	\$ 6.1	\$ 6.3	\$ 6.0
Unrestricted	176.0	146.5	140.5
Net Position	\$ 182.1	\$ 152.8	\$ 146.5

The Research Foundation's overall financial condition remains healthy with total assets exceeding total liabilities by \$182.1 million and \$152.8 million, respectively.

Capital Assets and Debt Administration

Capital Assets: At June 30, 2021, the Research Foundation had \$30 million in capital assets, less accumulated depreciation of \$15.8 million, for net capital assets of \$14.3 million. Amortization and depreciation expenses totaled \$1,117,964 and \$1,110,103 for the fiscal years ended June 30, 2021 and 2020, respectively.

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

	2021	2020
Land	\$ 2,618,820	\$ 2,618,820
Property under capital leases, net	11,599,963	12,485,049
Construction in progress	-	-
Equipment	39,874	54,473
Total capital assets, net	<u>\$ 14,258,657</u>	<u>\$ 15,158,342</u>

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

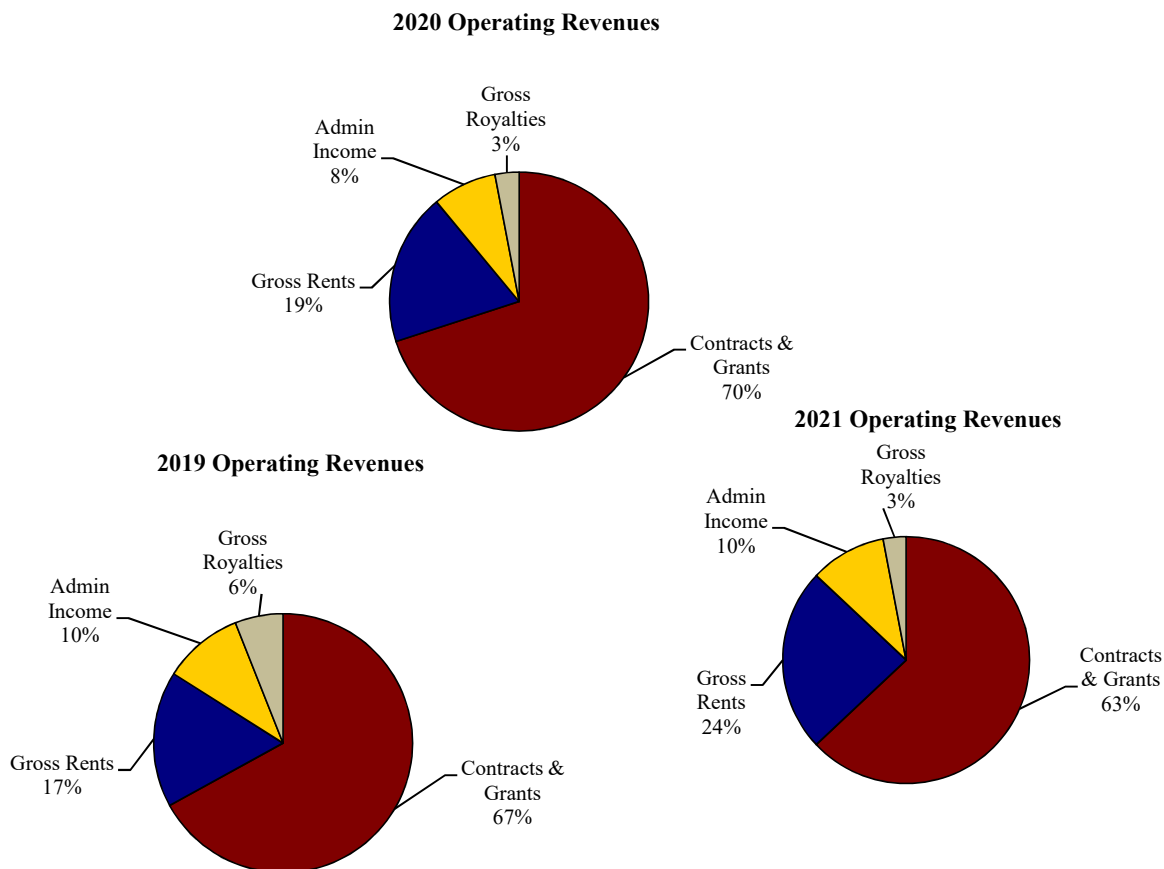
Debt Administration: As of June 30, 2021, the Research Foundation had \$7,993,000 in outstanding debt representing a decrease of \$661,000 from the prior fiscal year balance of \$8,654,000. Additional information about the Research Foundation's long-term debt is presented in the notes to the financial statements.

FLORIDA STATE UNIVERSITY RESEARCH FOUNDATION, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021 AND 2020
(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 \$42.3 million in total revenues during fiscal year 2021 compared to \$22.4 million in fiscal year 2020. The increase in revenues is primarily attributable to an increase of investment earnings of \$23.5 million offset by decreases in total license and grant revenues of \$3.4 million. The largest source of income in fiscal year 2021 resulted from the \$28.9 million in investment earnings. The Research Foundation also recognized \$3.2 million in rental revenue and \$8.4 million from contract and grants revenue during fiscal year 2021. During fiscal year 2020, the largest source of income resulted from contract and grant earnings in the amount of \$11.6 million.

The following charts depict the sources of operating revenues for the periods ending June 30, 2021, 2020 and 2019.



Other operating expenses were \$1.7 million and \$1.2 million in fiscal year 2021 and 2020, respectively.

Contributions to Florida State University increased by \$301,000 from the prior year. The University partially reimburses the Research Foundation for overall patent expenses incurred. Due to increased patent activity and patent expenses, reimbursements by the University to the Research Foundation were

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

higher than in the previous year. The \$697,389 reimbursement from the University was less than the \$1,056,000 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 2021, 2020, and 2019:

	Years Ended June 30,		
	2021	2020	2019
Contributions toward Office of Commercialization	\$ 36,936	\$ 33,519	\$ 50,028
Residuals available for research spending	47,800	102,242	240,984
Contracted services, recruiting, and other	921,295	182,051	159,134
Indirect Cost Distributed to Departments	50,000	200,000	250,000
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	(697,389)	(460,189)	(827,447)
	\$ 358,642	\$ 57,623	\$ (127,301)

Non-operating revenues were approximately \$23.4 million more in 2021 compared to 2020. This increase was primarily due to increased investment earnings due to more favorable market conditions. The Research Foundation had investment revenues of \$28.9 million in 2021 compared to \$5.4 million in 2020.

Economic Factors and Next Year's Budget

The Research Foundation finished the 2021 fiscal year with over \$8.4 million awarded across 101 contracts and grants. These external awards to the Research Foundation stem primarily from private companies and foundations and foreign governments. A number of those funders have been impacted by the current global coronavirus pandemic, which correlates with the lag in contract and grant revenue being behind pre-pandemic levels. However, this calendar year, we have seen an opening back up of businesses and society in general thanks to the availability of vaccines.

Between April 2020 and July 2021, faculty and staff of the University community worked remotely in varying capacities due to safety concerns. In some cases, this affected research output. The Research Foundation granted no cost time extensions due to pandemic related delays for those qualifying projects so that work could be completed. Other faculty took that time as an opportunity to write new funding proposals and we expect to reap the benefits in fiscal year 2022. We anticipate this will directly, positively impact contract and grant award numbers and dollars in fiscal year 2022 though the future is still uncertain.

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

One bright spot in our revenue streams is the increase in our investment portfolio. Paralleling the gains in the stock market, our endowment grew approximately 25% in fiscal year 2021. This is in thanks to the smart investment strategy put in place by our Investment Committee. The endowment has been allowed to grow so that it can support the strategic plans of Research, former FSU President John Thrasher, and the new FSU President, Dr. Richard McCullough.

Our investment gains have allowed us to pay the Research Foundation's funding commitment of \$36.4 million for the estimated \$88 million Interdisciplinary Research and Commercialization Building that has been in the works for six years. The 116,000 square-foot building is designed to facilitate interactions through an innovative arrangement of laboratories, core facilities, and strategically placed collaboration spaces. It is sized for up to 30 research groups, 24 postdoctoral researchers, and 155 graduate and undergraduate students. Construction is expected to begin in January 2022 and is anticipated to be completed by early 2024. This new facility will foster growth in the public and private sector research at the University for many years to come.

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 tenants are requesting additional space, creating a backlog of demand.

We have increasingly become invested in various capital projects associated with the University that provide guaranteed revenue at a 3.25% fixed interest rate. A 2021 loan to the FSU Real Estate Foundation for their purchase of the Champions Hall apartment complex will provide a steady income stream for the Research Foundation for the next seven years. We continue to collect guaranteed revenue from the Seminole Boosters, Inc. agreement related to the Burt Reynolds Hall apartment complex for the duration of our ownership. Additional investments in capital projects are not expected in fiscal year 2022.

For fiscal year 2022, the Research Foundation's Board of Directors approved a net operating budget of \$168,500 which represents a \$321,400 or 66% decrease from the prior year. This decrease is a combination of expected reduced earning on investments due to current economic conditions and increased Patent & Copyright Costs as a result of a continued patent litigation case.

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 of 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, 2021 AND 2020

	2021	2020
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 551,110	\$ 1,995,081
Current investments	164,930,942	146,150,409
License fees and royalties receivable, net	373,166	306,741
Grants receivable, net	2,113,932	1,145,682
Notes receivable, current portion	1,749,814	1,486,954
Accounts receivable, other, net	430,509	304,477
Prepaid expenses	105,353	219,591
Total current assets	170,254,826	151,608,935
Noncurrent assets		
Non-current investments	4,823,856	4,768,077
Notes receivable, long term portion	15,346,599	5,096,413
Deposit held with Florida State University	3,546,887	3,442,063
Lease payments in advance, net	1,723,555	1,810,514
Capital assets:		
Non-depreciable	2,618,820	2,618,820
Depreciable, net	11,639,837	12,539,522
Total noncurrent assets	39,699,554	30,275,409
Total assets	209,954,380	181,884,344
<u>LIABILITIES</u>		
Current liabilities		
Inventors' royalty allocations payable	304,696	437,222
Departmental royalty allocations payable	3,481,536	2,415,099
Other liabilities	170,647	211,242
Unearned restricted revenue	8,317,665	8,468,317
Florida State University fund payable	7,444,352	8,664,037
Obligations under capital leases, current portion	620,000	595,000
Total current liabilities	20,338,896	20,790,917
Noncurrent liabilities		
Obligations under capital leases, long-term portion	7,373,187	8,059,006
Annuity obligations	179,537	192,993
Total noncurrent liabilities	7,552,724	8,251,999
Total liabilities	27,891,620	29,042,916
<u>NET POSITION</u>		
Net position		
Net investment in capital assets	6,085,933	6,311,343
Unrestricted	175,976,827	146,530,085
Total net position	\$ 182,062,760	\$ 152,841,428

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, 2021 AND 2020

	2021	2020
License and grant revenues		
Licensing fees and royalties	\$ 448,898	\$ 559,177
Contracts and grants - restricted	8,351,057	11,641,776
Administrative - unrestricted:		
Contracts and grants	1,166,863	1,190,661
Licenses and other	109,471	97,986
Total license and grant revenues	10,076,289	13,489,600
License and grant expense		
Inventors' royalty allocations	(143,166)	(374,745)
Departmental royalty allocations	(180,885)	(121,608)
Patent and licensing costs, net	(1,192,914)	(852,982)
Contracts and grants	(8,351,057)	(11,641,776)
Total license and grant expenses	(9,868,022)	(12,991,111)
Net license and grant income	208,267	498,489
Rent revenues (expenses)		
Rental revenue	3,183,042	3,165,465
Building occupancy costs:		
Interest on bonds	(205,831)	(225,881)
Amortization and depreciation	(1,117,964)	(1,110,103)
Management and leasing fees	-	(11,162)
Other	(112,630)	(283,195)
Net rental income	1,746,617	1,535,124
Other operating revenues (expenses)		
Personnel costs	(772,550)	(765,150)
Contributions (to) from Florida State University	(358,642)	(57,623)
Miscellaneous	(83,297)	67,565
Research Foundation funded programs	(482,558)	(480,704)
Total other operating expenses	(1,697,047)	(1,235,912)
Operating income	257,837	797,701
Nonoperating revenues (expenses)		
Investment revenue	28,902,634	5,438,718
Investment portfolio fees	(67,942)	(67,650)
Interest income	182,786	224,445
Change in annuity value	(54,054)	(67,817)
Miscellaneous revenue	71	65
Total nonoperating revenues	28,963,495	5,527,761
Change in net position	29,221,332	6,325,462
Net position, beginning of year	152,841,428	146,515,966
Net position, end of year	\$ 182,062,760	\$ 152,841,428

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, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Licensed products and building program:		
Licensing fees and royalties	\$ 382,473	\$ 459,922
Administrative fees from licenses and other	109,471	97,986
Rental income	3,185,727	3,163,965
Departmental allocation payments	609,860	137,287
Patent and licensing costs	(1,241,336)	(766,765)
Building occupancy	(186,047)	(350,855)
Interest paid on obligations under capital lease	(205,831)	(225,881)
Net cash provided by licensed products and building program	2,654,317	2,515,659
Contracts and grants:		
Receipts	8,263,739	8,915,452
Disbursements	(8,217,384)	(11,847,443)
Net cash provided by (used in) contracts and grants	46,355	(2,931,991)
Other receipts or disbursements:		
Personnel costs	(772,550)	(765,150)
Research Foundation funded programs	(480,005)	(481,032)
Contributions (to) from Florida State University	(1,578,327)	955,494
Other (disbursements) receipts	(83,297)	67,565
Net cash used in other receipts or disbursements	(2,914,179)	(223,123)
Net cash used in operating activities	(213,507)	(639,455)
Cash flows from noncapital financing activities		
Administrative fees and other	71	65
Deposits (made) returned from Florida State University	(104,824)	678,253
Net cash (used in) provided by noncapital financing activities	(104,753)	678,318
Cash flows from investing activities		
Purchase of investments	(4,596,806)	(2,896,126)
Sale of investments	14,595,186	7,154,585
Purchase of real estate investment	-	(3,730,000)
Interest income	182,786	224,445
Collections on notes receivable	1,486,954	1,453,404
Advances on notes receivable	(12,000,000)	-
Net cash (used in) provided by investing activities	(331,880)	2,206,308
Cash flows from capital and related financing activities		
Principal payments on obligations under capital leases	(595,000)	(575,000)
Gift annuity payments	(67,510)	(67,509)
Purchase of land, land improvements, property under capital lease, and/or equipment	(131,321)	(677,410)
Net cash used in capital and related financing activities	(793,831)	(1,319,919)
Net (decrease) increase in cash and cash equivalents	(1,443,971)	925,252
Cash and cash equivalents, beginning of year	1,995,081	1,069,829
Cash and cash equivalents, end of year	\$ 551,110	\$ 1,995,081

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, 2021 AND 2020
(Continued)

	2021	2020
Reconciliation of operating income to net cash (used in) provided by operating activities:		
Operating income	\$ 257,837	\$ 797,701
Adjustments to reconcile operating income to net cash (used in) provided by operating activities:		
Amortization and depreciation of capital assets	1,117,964	1,110,103
Amortization of bond premium	(65,819)	(65,819)
Changes in operating assets and liabilities:		
License fees and royalties receivables	21,400	(117,366)
Other receivables	(1,094,281)	651,399
Prepaid expenses	114,238	(104,787)
Change in allowance	(87,825)	18,111
Royalty allocations payable	933,911	633,640
Florida State University fund payable	(1,219,685)	1,013,117
Other liabilities	(40,595)	(26,180)
Unearned restricted revenue	(150,652)	(4,549,374)
Net cash (used in) provided by operating activities	\$ (213,507)	\$ (639,455)
Supplemental noncash information		
Unrealized net investment gain	\$ 18,380,946	\$ 575,174
Long term investment purchased with accounts payable	\$ 55,779	\$ 47,714

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, 2021 AND 2020

(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, 2021 AND 2020

(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 College of Medicine, 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 assets**—Capital assets include land, construction in progress, property under capital lease, equipment, and computer software and are defined as building assets with a initial cost greater than \$100,000 and a useful life greater than one year and equipment assets with an initial cost greater than \$5,000 and a useful life greater than one year. Initial costs are capitalized and depreciated over the assets useful lives. Useful lives of buildings are between 12 and 30 years while equipment assets useful lives are 5 years.

(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, 2021 AND 2020

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

(n) **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 receiving equal value in exchange.

(o) **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.

(p) **Pronouncements issued**—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 is currently evaluating the effects that implementation of the new standards will have on its financial position, results of operations, and cash flows.

(q) **Subsequent events**—The Research Foundation evaluated all events and transactions that occurred from July 1, 2021 through September 23, 2021, the date the financial statements were available for issuance. During the period from July 1, 2021 to September 23, 2021, 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. The IRCB balance includes \$2,945,251 paid to the University as well as \$480,565 in architectural costs related to the IRCB project. As of the years ended June 30, the deposits held with Florida State University were as follows:

	June 30,	
	2021	2020
Beginning Balance	\$ 3,442,063	\$ 4,215,368
Additions	104,824	-
Deductions	-	773,305
Ending Balance	\$ 3,546,887	\$ 3,442,063

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

(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, 2021 and June 30, 2020, non-current investments consist of an equity interest in a Florida Limited Liability Company 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:

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 investment in which the Research Foundation does not exercise significant influence over the operations and financial policies of the partnership is reported at cost.

As of June 30, 2021	Reported Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
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, 2021 AND 2020

(4) **Deposits and Investments:** (Continued)

<u>As of June 30, 2020</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	\$ 38,751,256	\$ 38,751,256	\$ -	\$ -
International equity mutual funds	26,136,593	26,136,593	-	-
Domestic bond mutual funds	20,385,619	20,385,619	-	-
International bond mutual funds	8,399,046	8,399,046	-	-
Real estate investment	3,730,000	-	3,730,000	-
Total Investments by Fair Value Level	<u>\$97,402,514</u>	<u>\$ 93,672,514</u>	<u>\$ 3,730,000</u>	<u>\$ -</u>
Investments not reported at fair value				
SBA Florida PRIME (<i>amortized cost</i>)	\$ 52,477,895			
Partnership investment (<i>cost</i>)	1,038,077			
Total investments not reported at fair value	<u>53,515,972</u>			
Total Investments	<u>\$ 150,918,486</u>			

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

	<u>Reported Value</u>	<u>Years</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
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>

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

(4) **Deposits and Investments:** (Continued)

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

At June 30, 2020, 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	\$ 52,477,895	\$ 52,477,895	\$ -	\$ -	\$ -
Domestic Equity Mutual Funds	38,751,256	No Maturity	-	-	-
International Equity Mutual Funds	26,136,593	No Maturity	-	-	-
Domestic Bond Mutual Funds	20,385,619	680,623	10,573,531	4,441,820	4,689,645
International Bond Mutual Funds	8,399,046	103,308	3,163,081	2,507,115	2,625,542
Commercial real estate	3,730,000	No Maturity	-	-	-
Partnership Investment	1,038,077	No Maturity	-	-	-
	<u>\$ 150,918,486</u>	<u>\$ 53,261,826</u>	<u>\$ 13,736,612</u>	<u>\$ 6,948,935</u>	<u>\$ 7,315,187</u>

Money Market Accounts includes \$52,477,895 invested in SBA Florida PRIME with a Weighted Average Maturity (WAM) of 53 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.

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

	Reported Value	AAA (AAAm)	Aa	A	Less than A rated	Not Rated
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>

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

(4) **Deposits and Investments:** (Continued)

As of June 30, 2020, 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	\$ 52,477,895	\$ 52,477,895	\$ -	\$ -	\$ -	\$ -
Domestic Bond Mutual Funds	20,385,619	8,110,657	1,603,087	5,988,033	4,486,158	197,684
International Bond Mutual Funds	<u>8,399,046</u>	<u>1,735,243</u>	<u>2,240,026</u>	<u>2,085,483</u>	<u>2,338,294</u>	<u>-</u>
	<u>\$ 81,262,560</u>	<u>\$ 62,323,795</u>	<u>\$ 3,843,113</u>	<u>\$ 8,073,516</u>	<u>\$ 6,824,452</u>	<u>\$ 197,684</u>

Debt Instruments whose credit quality is not rated includes \$197,684 of not rated domestic bond mutual funds.

Investment revenues consisted of the following amounts:

	<u>Years Ended June 30,</u>	
	<u>2021</u>	<u>2020</u>
Realized gains on current investments	\$ 10,521,688	\$ 4,863,544
Unrealized (losses) gains on current investments	<u>18,380,946</u>	<u>575,174</u>
Total investment revenues	<u>\$ 28,902,634</u>	<u>\$ 5,438,718</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, 2021, the carrying amount of deposits totaled \$551,110. At June 30, 2020 the carrying amount of deposits totaled 1,995,081. The Research Foundation has not experienced any losses in such accounts.

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, 2021 the Research Foundations equity interest in the Company was roughly 34% of the total shares outstanding. During the year ended June 30, 2020 the Research Foundations equity interest in the Company was roughly 33% 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.

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

(4) Deposits and Investments: (Continued)

As of June 30, 2021, 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, 2021. The following table summarizes the Research Foundation's exposure to foreign currency risk in U.S. dollars as of June 30, 2020:

Currency by Investment and Fair Value					
	Equity	Total		Equity	Total
Australian Dollar	\$ 934,587	\$ 934,587	Malaysian Ringgit	128,171	128,171
Brazilian Real	249,944	249,944	Mexican Peso	138,075	138,075
Canadian Dollar	1,378,717	1,378,717	New Zealand Dollar	57,154	57,154
Chilean Peso	20,181	20,181	Norwegian Krone	545,134	545,134
Chinese Yuan	187,934	187,934	Pakistani Rupee	2,523	2,523
Colombian Peso	6,307	6,307	Philippine Peso	31,533	31,533
Czech Koruna	22,262	22,262	Polish Złoty	63,022	63,022
Danish Krone	181,101	181,101	Qatari Riyal	29,010	29,010
Egyptian Pound	5,045	5,045	Russian Ruble	124,410	124,410
Euro	11,341,484	11,341,484	Saudi Arabia Riyal	90,814	90,814
Great Britain Pound	3,028,518	3,028,518	Singapore Dollar	223,351	223,351
Hong Kong Dollar	2,285,552	2,285,552	South African Rand	169,854	169,854
Hungarian Forint	20,166	20,166	Swedish Krona	553,300	553,300
Indian Rupee	367,907	367,907	Swiss Franc	1,842,182	1,842,182
Indonesian Rupiah	138,187	138,187	New Taiwan Dollar	548,570	548,570
Israeli New Shekel	65,980	65,980	Thai Baht	164,302	164,302
Japanese Yen	5,440,175	5,440,175	Turkish Lira	22,703	22,703
Korean Won	1,134,411	1,134,411	UAE Dirham	20,181	20,181
Kuwait Dinar	22,703	22,703	Total	\$ 31,585,450	\$ 31,585,450

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

(5) **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:

	June 30,	
	2021	2020
License fees and royalties receivable, gross	\$ 418,166	\$ 306,741
Allowance for doubtful accounts	(45,000)	-
License fees and royalties receivable, net	\$ 373,166	\$ 306,741

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

	June 30,	
	2021	2020
Grants receivable, gross	\$ 2,113,932	\$ 1,145,682
Allowance for doubtful accounts	-	-
Grants receivable, net	\$ 2,113,932	\$ 1,145,682

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

	June 30,	
	2021	2020
Due from Florida State University, gross	\$ 135,469	\$ 10,275
Patent & license cost reimbursement receivable, gross	304,040	427,027
Allowance for doubtful accounts	(9,000)	(132,825)
Accounts Receivable – other, net	\$ 430,509	\$ 304,477

(6) **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, and 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, 2021 and 2020, the inventors' allocations payable balance was \$304,696 and \$437,222, 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, 2021 and 2020, the inventors' department allocations payable balance was \$3,481,536 and \$2,415,099, respectively.

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

(7) Notes Receivable:

On May 19, 2015, the Research Foundation entered into a joint agreement with the Florida State University College of Medicine to plan and design a site for the purchase and installation of a Functional Magnetic Resonance Imaging Machine (fMRI). The Research Foundation provided a non-interest bearing loan to the College of Medicine for \$1,000,000. The College of Medicine fMRI project was completed in June 2017 and is currently in use. The loan agreement calls for annual payments of \$200,000 beginning October 1, 2017 and ending October 1, 2021. During the year 2019, an unexpended balance in the project account in the amount of \$52,633 was received and applied against the loan balance. In accordance with the loan agreement, the remaining payments have been reduced proportionately to \$182,348. As of June 30, 2021 and 2020, the note receivable balance was \$182,348 \$364,803, respectively.

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, 2021 and 2020 were \$4,914,065 and \$6,218,564, 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, 2021 was \$12,000,000.

(8) Patent and Licensing Costs:

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

	June 30,	
	2021	2020
Patent and licensing costs, gross	\$ 1,912,278	\$ 1,332,272
Reimbursements collected and receivable, gross	(719,364)	(479,290)
Increase in allowance for doubtful accounts	-	-
Patent and licensing costs, net	\$ 1,192,914	\$ 852,982

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

(9) 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,:

	2021	2020
Beginning balance	\$ 8,468,317	\$ 13,017,691
Contracts and grants receipts	9,367,268	8,283,063
Restricted contracts and grants expenditures	(8,351,057)	(11,641,776)
Administrative contracts and grants expenditures	(1,166,863)	(1,190,661)
Ending balance	\$ 8,317,665	\$ 8,468,317

(10) Lease Payments in Advance:

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. Costs expended by the Research Foundation net of University reimbursements were \$2,059,067. The Research Foundation entered into a lease agreement with the University to manage the building. The lease agreement between the University and the Research Foundation does not meet the criteria for a capital lease; therefore, the Research Foundation has classified the payments as a Lease Payment in Advance. The payment in advance will be amortized over the life of the lease, which runs through June 30, 2040, using the straight-line method.

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. Costs expended by the Research Foundation net of University reimbursements were \$674,232. The Research Foundation entered into a lease agreement with the University to manage the building. The lease agreement between the University and Research Foundation does not meet the criteria for a capital lease; therefore, the Research Foundation has classified the payments as a Lease Payment in Advance. The payment in advance will be amortized over the life of the lease, which runs through June 30, 2043, using the straight-line method.

Amounts related to lease payments in advance are summarized below:

	June 30, 2021			June 30, 2020		
	MRB	AME	Total	MRB	AME	Total
Original cost	\$ 2,059,067	\$ 674,232	\$ 2,733,299	\$ 2,059,067	\$ 674,232	\$ 2,733,299
Accumulated amortization	810,134	199,610	1,009,744	744,400	178,385	922,785
Net lease payment in advance	\$ 1,248,933	\$ 474,622	\$ 1,723,555	\$ 1,314,667	\$ 495,847	\$ 1,810,514

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

(11) **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, 2021 and June 30, 2020 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, 2021 and June 30, 2020, the Research Foundation had \$366,820 recorded as land and land improvements related to the Conradi property.

At June 30, 2021 and June 30, 2020, land consists of the Complex land and a donated property related to the gift annuity program as described in Note (13).

Capital leases:

The Research Foundation operates all or portions of seven buildings as a lessor. Building A and Building B have their construction costs capitalized in these financial statements as capital leases. The Research Foundation has guaranteed bonds associated with the construction of each of these buildings as described in the following section. 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 the discounted present value of the debt payments were recorded as obligations under capital lease liabilities.

After the FSU Foundation vacated space in August 2018, the Research Foundation in conjunction with the Florida State University Vice President of Research Office began renovations to the third floor of Building B to meet the needs of the incoming research tenants. The renovations for Building B, third floor, were completed in June 2019 at a cost of \$667,000. As of June 30, 2019, the renovated space was fully occupied.

In June 2019, renovations began on the second floor of Building B and specified space on the third floor of Building A. These renovations were completed in August 2019 at a cost of \$818,000. The renovation costs for both buildings are reported as property under capital lease and will be amortized over the remaining life of the lease as of the date construction was completed.

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.
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JUNE 30, 2021 AND 2020

(11) **Capital Assets:** (Continued)

	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 Depreciate	2,618,820	-	-	2,618,820
Capital Assets Being Depreciated:				
Property under capital lease	27,150,623	131,321	-	27,281,944
Equipment	123,907	-	-	123,907
Computer software	79,658	-	-	79,658
Total Capital Assets Being Depreciated	27,354,188	131,321	-	27,485,509
Less Accumulated Depreciation For:				
Property under capital lease	(14,665,574)	(1,016,407)	-	(15,681,981)
Equipment	(69,434)	(14,599)	-	(84,033)
Computer software	(79,658)	-	-	(79,658)
Total Accumulated Depreciation	(14,814,666)	(1,031,006)	-	(15,845,672)
Total Capital Assets, Net of Depreciation	12,539,522	(899,685)	-	11,639,837
Capital Assets, Net	\$ 15,158,342	\$ (899,685)	\$ -	\$ 14,258,657
	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Not Being Depreciated:				
Land	\$ 2,585,317	\$ 33,503	\$ -	\$ 2,618,820
Construction in Progress	175,451	-	(175,451)	-
Total Capital Assets Not Being Depreciate	2,760,768	33,503	(175,451)	2,618,820
Capital Assets Being Depreciated:				
Property under capital lease	26,331,266	819,357	-	27,150,623
Equipment	123,907	-	-	123,907
Computer software	79,658	-	-	79,658
Total Capital Assets Being Depreciated	26,534,831	819,357	-	27,354,188
Less Accumulated Depreciation For:				
Property under capital lease	(13,657,029)	(1,008,545)	-	(14,665,574)
Equipment	(54,835)	(14,599)	-	(69,434)
Computer software	(79,658)	-	-	(79,658)
Total Accumulated Depreciation	(13,791,522)	(1,023,144)	-	(14,814,666)
Total Capital Assets, Net of Depreciation	12,743,309	(203,787)	-	12,539,522
Capital Assets, Net	\$ 15,504,077	\$ (170,284)	\$ (175,451)	\$ 15,158,342

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

(12) **Property Leased to Others**

In addition to the leases described in Notes (10) and (11), the buildings at 3000 Commonwealth and 3200 Commonwealth are owned by the University and either fully or partially managed/leased by the Research Foundation.

During the years ended June 30, 2021 and 2020, the Research Foundation recognized rental income from the properties described above in the amounts of \$3,183,042 and \$3,165,465, respectively.

The following is a schedule of future rentals under non-cancellable leases as of June 30, 2021. Leases have an annual non-cancellable term and are renewed annually unless tenant notifies the Research Foundation in advance of the renewal date. The amounts reflected below may differ from actual future rental income due to new leases entered into, the expiration of existing leases, or the recognition of rental income resulting from escalators, if any:

Year Ending June 30,	Rental Income
2022	\$ 3,188,604
2023	458,108
2024	254,290
2025	50,774
2026	27,055
Total	\$ 3,978,831

(13) **Long Term Liabilities**

Obligations under Capital Leases – Guaranty Agreements

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 million 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. All rents are collected by the Research Foundation and debt service payments are secured and paid from pledged lease payments received by the Research Foundation from the occupants of the Research Foundation buildings. The bonds bear interest ranging from 3.00% to 4.00%. The refunding resulted in a reduction in future minimum lease payments of \$11,053,435 over the next nineteen years and obtained a present value savings of \$3,792,528.

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

(13) **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, 2021 and 2020, the annuity payable is recorded at its present value of \$179,537 and \$192,993, respectively. A discount rate of 2.25% 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.

The table below summarizes long term liabilities for the years ended June 30, 2021 and June 30, 2020:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Obligations under capital leases, 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>

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Obligations under capital leases, net	\$ 9,294,825	\$ -	\$ 640,819	\$ 8,654,006	\$ 595,000
Annuity obligations	192,685	308	-	192,993	-
Total long-term liabilities	<u>\$ 9,487,510</u>	<u>\$ 308</u>	<u>\$ 640,819</u>	<u>\$ 8,846,999</u>	<u>\$ 595,000</u>

The table below summarizes future maturities of obligations under capital leases:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	620,000	253,500	873,500
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
2027-2031	3,990,000	366,150	4,356,150
Total	<u>\$ 7,335,000</u>	<u>\$ 1,376,250</u>	<u>\$ 8,711,250</u>

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

(13) **Long Term Liabilities** (Continued)

Obligations under capital lease consists of the following:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Obligations under capital leases	\$ 7,335,000	\$ 7,930,000
Bond Premium	658,187	724,006
Obligations under capital leases, net	<u>\$ 7,993,187</u>	<u>\$ 8,654,006</u>

(14) **Commitments:**

The Florida State University Research Foundation, Inc. has commenced construction on the Inter-disciplinary Research and Commercialization Building (IRCB). Future monetary commitments from the Research Foundation to the construction of the IRCB building are expected to be approximately \$36.4 million.

(15) **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>2021</u>	<u>2020</u>
Designated		
Building Maintenance & Equipment Reserve	\$ 2,774,783	\$ 2,373,644
Building Vacancy & Renovation Reserve	2,095,177	2,157,255
Building Debt Guaranty Reserve	905,413	863,413
Inter-disciplinary Research & Commercialization Building	509,903	509,903
Research Enhancement	3,522,076	3,691,488
GAP Program	427,718	441,974
Total Designated	<u>10,235,070</u>	<u>10,037,677</u>
Total Non-Designated	<u>165,741,757</u>	<u>136,492,408</u>
Total Unrestricted Net Position	<u>\$ 175,976,827</u>	<u>\$ 146,530,085</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, 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 23, 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 the 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 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.

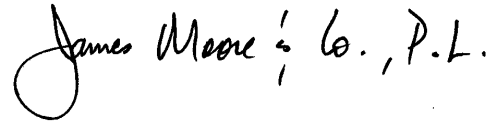
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Tallahassee, Florida
September 23, 2021