

**THE UNIVERSITY OF SOUTHERN MISSISSIPPI
RESEARCH FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2015 and 2014

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

CONTENTS

	<u>PAGE</u>
<i>INDEPENDENT AUDITOR'S REPORT</i>	1
<i>CONSOLIDATED FINANCIAL STATEMENTS</i>	
Exhibit A - Consolidated Statements of Financial Position	4
Exhibit B - Consolidated Statements of Activities	5
Exhibit C - Consolidated Statements of Cash Flows	6
<i>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</i>	7
<i>SUPPLEMENTARY INFORMATION</i>	
Schedule 1 - Consolidating Statement of Financial Position - December 31, 2015	14
Schedule 2 - Consolidating Statement of Activities - Year Ended December 31, 2015	15
Schedule 3 - Consolidated Schedule of Functional Expenses - Year Ended December 31, 2015	16

RICHARD G. TOPP, CPA
FRANK H. McWHORTER, CPA, JR.
T. JOHN HARVEY, CPA
RICHARD D. HALBERT, CPA
WILLIAM T. KELLY, CPA/ABV, CVA
SUSAN A. RILEY, CPA
DAWN T. JONES, CPA
MICHAEL W. DAVIS, CPA
GREGORY L. FAIREY, CPA
JEFFREY M. ALLEN, CPA
E. PAIGE JOHNSON, CPA
MICHAEL BRADLEY WOOD, CPA
ANNETTE P. HERRIN, CPA/ABV,
CVA, CFE, CFF, MAFF
D. RENEE MOORE, CPA
JOE C. TRAVIS, CPA, CFE, CR, FA
SHELBY H. LOTT, CPA
JOSEPH C. TOWNSEND, CPA
STEPHEN W. GRAY, CPA
ADAM K. SMITH, CPA
LEIGH F. AGNEW, CPA
D. WHITNEY BRANCH, CPA
JOHN S. HEATH, CPA
MARY MAXWELL DENNIS, JD, CPA
LESLIE C. BILANCIA, CPA/ABV, CVA
JEANA O. RICH, CPA
WILLIAM JABE MILLS, CPA, CFE
JODY D. THORNTON, CPA
REBECCA KING BAKER, CPA
JASON T. BABINGTON, CPA
MISCHEL P. ROMERO, CPA
JOSEPH S. BOST, CPA
DEENA C. KEASLER, CPA, CVA

TOPP McWHORTER HARVEY, PLLC

TMH

CERTIFIED PUBLIC ACCOUNTANTS

2 SOUTHERN POINTE PARKWAY, SUITE 100
HATTIESBURG, MISSISSIPPI 39401
POST OFFICE DRAWER 15099
HATTIESBURG, MISSISSIPPI 39404-5099

TELEPHONE 601-264-3519
TOLL FREE 877-842-7137
FAX 601-264-3642

www.tmhcpas.com

MEMBERS
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC
ACCOUNTANTS

MISSISSIPPI SOCIETY
OF CERTIFIED PUBLIC
ACCOUNTANTS

OTHER OFFICES:
150 OLD HWY 98 EAST
POST OFFICE BOX 609
COLUMBIA, MISSISSIPPI 39429
TELEPHONE: 601-736-3449
FAX 601-736-0501

2019 23rd AVENUE
GULFPORT, MISSISSIPPI 39501
POST OFFICE BOX 1842
GULFPORT, MISSISSIPPI 39502
TELEPHONE: 228-864-1779
FAX 228-864-3850

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The University of Southern Mississippi Research Foundation, Inc.
Hattiesburg, Mississippi

We have audited the accompanying consolidated financial statements of The University of Southern Mississippi Research Foundation, Inc. (a nonprofit organization) and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

To the Board of Directors
The University of Southern Mississippi Research Foundation, Inc.
Hattiesburg, Mississippi

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Southern Mississippi Research Foundation, Inc. and its subsidiary as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position, the consolidating statement of activities, and the consolidated schedule of functional expenses on pages 14 through 16, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the

To the Board of Directors
The University of Southern Mississippi Research Foundation, Inc.
Hattiesburg, Mississippi

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Topp McWhorter Harvey, PLLC
Hattiesburg, Mississippi
February 26, 2016

EXHIBIT A

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

ASSETS

ASSETS	December 31,	
	2015	2014
Cash and cash equivalents	\$ 469,689	\$ 464,003
Accounts receivable	20,985	11,345
Research contracts receivable	46,699	136,429
Rent receivable	18,012	66,141
Property, plant and equipment, net	6,759,056	6,967,389
Loan origination fees, net	17,547	25,452
Total assets	\$ 7,331,988	\$ 7,670,759

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 41,314	41,609
Research contracts payable	84,655	151,876
Accrued interest	5,531	8,322
Refundable security deposits	119,809	128,659
Deferred rental revenue	183,240	107,805
Notes payable	2,164,313	2,609,598
Total liabilities	<u>2,598,862</u>	<u>3,047,869</u>
NET ASSETS, UNRESTRICTED	<u>4,733,126</u>	<u>4,622,890</u>
Total liabilities and net assets	\$ 7,331,988	\$ 7,670,759

See accompanying notes to consolidated financial statements.

EXHIBIT B

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

REVENUES, GAINS AND OTHER SUPPORT	December 31,	
	2015	2014
Rental revenues	\$ 1,295,735	\$ 1,359,785
Research contracts revenue	84,676	193,705
Contributed support	140,464	137,806
Interest income	294	293
Other income	356,709	233,046
Total revenues, gains and other support	<u>1,877,878</u>	<u>1,924,635</u>
EXPENSES		
Program services:		
Research contracts, The University of Southern Mississippi	74,065	167,226
Scholarships, grants, and awards	32,946	21,907
Waterborne symposium	307,722	228,625
Total program services	<u>414,733</u>	<u>417,758</u>
Supporting services:		
Management and general	192,885	176,861
Rental expenses	1,160,024	1,274,596
Total supporting services	<u>1,352,909</u>	<u>1,451,457</u>
Total expenses	<u>1,767,642</u>	<u>1,869,215</u>
CHANGE IN NET ASSETS	110,236	55,420
NET ASSETS		
Beginning of year	<u>4,622,890</u>	<u>4,567,470</u>
End of year	<u>\$ 4,733,126</u>	<u>\$ 4,622,890</u>

See accompanying notes to consolidated financial statements.

EXHIBIT C

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 110,236	\$ 55,420
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	254,289	231,321
(Increase) decrease in:		
Accounts receivable	(9,640)	(5,855)
Research contracts receivable	89,730	(36,454)
Rent receivable	48,129	(57,665)
Increase (decrease) in:		
Accounts payable	(295)	(57,560)
Research contracts payable	(67,221)	54,684
Accrued interest	(2,791)	(4,478)
Refundable security deposits	(8,850)	-
Deferred rental revenue	75,435	242
Net cash provided by operating activities	<u>489,022</u>	<u>179,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(20,105)	(18,321)
Net cash (used) by investing activities	<u>(20,105)</u>	<u>(18,321)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable	(445,285)	(601,291)
Loan origination fees	(17,946)	-
Net cash (used) by financing activities	<u>(463,231)</u>	<u>(601,291)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,686	(439,957)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>464,003</u>	<u>903,960</u>
End of year	<u>\$ 469,689</u>	<u>\$ 464,003</u>
SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 106,868</u>	<u>\$ 142,709</u>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The University of Southern Mississippi Research Foundation, Inc. (the Foundation) oversees gifts, contributions, and grants provided for sponsored research for individuals, industries, private organizations, and government agencies, throughout the United States, and assists with transferring technology developed through the Foundation to benefit the University of Southern Mississippi and the public. The Foundation bridges the intellectual resources of the academic community to the private sector to ensure technology transfer and commercialization of viable ideas.

The Foundation has an infinite life expectancy and anticipates significant gifts and donations of technology each year. The licensing and marketing activities of the Foundation operate on a continual basis.

Principles of Consolidation - The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiary, Pinion Properties, LLC (Pinion). Pinion was formed on January 10, 2005, as a limited liability company whereby certain real property held by the Foundation was transferred to the newly formed entity to manage and maintain the property. Significant intercompany transactions and balances have been eliminated in consolidation.

During 2012, the Foundation began maintaining the records for the Waterborne Symposium. The amounts are consolidated with the Foundation's.

Basis of Accounting and Financial Statement Presentation - The consolidated financial statements of the Foundation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to non-profit entities. The financial transactions of the Foundation are recorded on an accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Foundation has adopted FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions. In addition, the Foundation is required to present a statement of cash flows. As permitted by this statement, the Foundation has reclassified its financial statements to present the three classes of net assets. At December 31, 2015 and 2014, all of the Foundation's net assets were unrestricted.

Use of Estimates - The preparation of consolidated 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 amounts reported and disclosures made in the consolidated financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE TWO

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Income Tax - The Foundation is exempt from federal income taxes on related income under Code section 501(c)(3) of the Internal Revenue Code of 1954.

Cash and Cash Equivalents - For the purposes of the Statement of Financial Position and the Statement of Cash Flows, the Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are stated at unpaid balances less amounts deemed uncollectable by management. Receivables are written off on a case-by-case basis and upon evaluation of specific circumstances. At December 31, 2015 and 2014, all accounts were considered collectable by management. The Foundation does not accrue interest on accounts receivable.

Property, Plant and Equipment - Property, plant and equipment are stated at cost if purchased or at fair market value on the date of gift if donated. Depreciation is provided over the estimated useful life of depreciable assets, which is three to seven years for furniture and equipment and fifteen or thirty-nine years for buildings and improvements, and is computed using the straight line method. Property costing in excess of \$500 and having a useful life in excess of one year is capitalized.

Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The costs and related accumulated depreciation of assets sold or retired are removed from the accounts and any resulting gain or loss is reflected in the accompanying statements of activities.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset, and impairments of long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Revenue Recognition - The Foundation recognizes all contributed support received as income in the period received or unconditionally pledged. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the restricted net asset is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts of long-lived assets that do not have stipulations regarding the length of time that the asset must be used are reported as unrestricted support.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE THREE

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Research contract revenue is recognized as income in the period the service is provided. Such income is derived in part from separate contracts with The University of Southern Mississippi (the University) which provide for research to be performed by certain faculty. Payments to the University under research contracts aggregated \$74,065 and \$167,226 as of December 31, 2015 and 2014, respectively.

The Foundation has received various contributions of valuable intellectual property that have been patented. However, the ultimate value of the patented property is highly subjective and dependent upon successful commercialization by the Foundation. When intellectual property is successfully marketed or patents are licensed to third parties, royalty fees will be recognized as earned, over the period of the license agreement.

Rental revenue is recognized as it is earned.

Functional Expenses - Functional expenses are allocated between program services and supporting services. Supporting services include general and administrative activities and rental expenses. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Foundation. Rental expenses relate directly to Pinion operating properties.

NOTE 2 - INVESTMENTS

In September 2009, the Foundation purchased 1,000 shares of common stock of a closely held corporation for \$100,000. Based on management's review of the financial position of the closely held corporation, an unrealized loss has been recorded to reduce the basis of the investment to estimated net realizable value of \$-0- at December 31, 2015 and 2014. During 2014, the corporation was dissolved.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE FOUR
YEAR ENDED DECEMBER 31, 2015**

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31,	
	2015	2014
Land and improvements	\$ 2,820,489	\$ 2,820,489
Buildings and improvements	5,271,250	5,251,145
Furniture and equipment	216,826	216,826
	<u>8,308,565</u>	<u>8,288,460</u>
Less: accumulated depreciation	<u>(1,549,509)</u>	<u>(1,321,071)</u>
Total	<u><u>\$ 6,759,056</u></u>	<u><u>\$ 6,967,389</u></u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$228,438 and \$229,184, respectively.

NOTE 4 - NOTES PAYABLE

Notes payable consist of the following:

	December 31,	
	2015	2014
Note payable to a commercial bank with 59 monthly installments of \$22,906 and a balloon payment estimated at \$1,246,684, with an interest rate of 4.600%. Maturity date is September 11, 2020 and is secured by real property.	<u><u>\$ 2,164,313</u></u>	<u><u>\$ 2,609,598</u></u>

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE FIVE
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 4 - NOTES PAYABLE (Cont.)

Maturities of notes payable at December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 194,364
2017	188,199
2018	197,041
2019	206,298
2020	<u>1,378,411</u>
	<u>\$ 2,164,313</u>

NOTE 5 - OPERATING LEASE COMMITMENTS

The Foundation leases office space to tenants under noncancelable operating lease agreements with terms of one to five years. The following is a schedule by years of future minimum rentals under the leases at December 31, 2015:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 373,845
2017	25,738
2018	<u>15,014</u>
	<u>\$ 414,597</u>

The following schedule provides an analysis of the Foundation's investment in property held for lease by major classes as of:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 45,901	\$ 680,325
Buildings and improvements	<u>1,975,012</u>	<u>3,141,947</u>
	2,020,913	3,822,272
Less accumulated depreciation	<u>(505,255)</u>	<u>(689,373)</u>
Net property and equipment held for lease	<u>\$ 1,515,658</u>	<u>\$ 3,132,899</u>

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE SIX
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 6 - INTANGIBLE ASSETS

Intangible assets consisted of the following as of:

	December 31,	
	2015	2014
Loan origination fees	\$ 17,946	\$ 32,038
Less: accumulated amortization	(399)	(6,586)
	<u>\$ 17,547</u>	<u>\$ 25,452</u>
Amortization expense	<u>\$ 25,851</u>	<u>\$ 2,136</u>

Amortization expense for fiscal year 2015 includes \$25,452 to fully amortize the loan origination fees from prior year. Amortization expense for the new loan origination fees was \$399.

The estimated aggregate amortization expense for each of the five succeeding fiscal years is as follows:

Year Ending December 31,	Amount
2016	\$ 1,196
2017	1,196
2018	1,196
2019	1,196
2020	1,196
Thereafter	<u>11,565</u>
	<u>\$ 17,547</u>

NOTE 7 - CONCENTRATIONS

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of bank deposit accounts. The Foundation maintains its cash balances in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015 and 2014, the Foundation had \$196,191 and \$165,384, respectively, of cash deposits in excess of the FDIC limits.

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PAGE SEVEN

YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8 - RELATED PARTY TRANSACTIONS

On April 13, 2010, the Foundation and the University entered into a lease agreement, combining four previous lease agreements into one. Under the terms of the agreement, the University is provided with up to 62,750 sq. ft. of space for a total annual cost of \$1,150,853. The lease is comprised of four separate spaces plus additional parking and ground lease for temporary modular classroom buildings. During 2014, USM moved out of the four separate spaces and no longer have the ground lease for temporary modular classroom buildings.

During the years ended December 31, 2015 and 2014, the subtotal of rental income for both lease agreements with the University was \$-0- and \$42,444, which represents 0% and 3% of the total rental income received by the Foundation as of December 31, 2015 and 2014, respectively.

The University contributes salaries for certain Foundation employees. For the years ended December 31, 2015 and 2014, salaries and related benefits totaling \$140,464 and \$131,722, respectively, have been recorded in the statement of activities as unrestricted contributed support and unrestricted expenses.

NOTE 9 - SUBSEQUENT EVENT

Management of the Foundation has evaluated subsequent events through February 26, 2016, which is the date the Consolidated Financial statements were available to be issued.

The University of Southern Mississippi Research Foundation, Inc. is in negotiations with a buyer for the properties owned by Pinion Properties.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

	University of Southern Mississippi Research Foundation, Inc.	Pinion Properties, LLC	Waterborne	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents, unrestricted	\$ 123,562	\$ 242,878	\$ 103,249	\$ -	\$ 469,689
Accounts receivable	-	-	20,985	-	20,985
Research contracts receivable	46,699	-	-	-	46,699
Rent receivable	-	18,012	-	-	18,012
Property, plant and equipment, net	6,462	6,752,594	-	-	6,759,056
Loan origination fees, net	-	17,547	-	-	17,547
Investment in Pinion	1,000,009	-	-	(1,000,009)	-
	<u>1,176,732</u>	<u>7,031,031</u>	<u>124,234</u>	<u>(1,000,009)</u>	<u>7,331,988</u>
Total assets	\$ 1,176,732	\$ 7,031,031	\$ 124,234	\$ (1,000,009)	\$ 7,331,988
LIABILITIES					
Accounts payable	\$ 285	\$ 5,066	\$ 35,963	\$ -	\$ 41,314
Research contracts payable	84,655	-	-	-	84,655
Accrued interest	-	5,531	-	-	5,531
Refundable security deposits	-	119,809	-	-	119,809
Deferred rental revenue	-	-	183,240	-	183,240
Notes payable	-	2,164,313	-	-	2,164,313
Total liabilities	<u>84,940</u>	<u>2,294,719</u>	<u>219,203</u>	<u>-</u>	<u>2,598,862</u>
NET ASSETS, UNRESTRICTED	<u>1,091,792</u>	<u>4,736,312</u>	<u>(94,969)</u>	<u>(1,000,009)</u>	<u>4,733,126</u>
Total liabilities and net assets	\$ 1,176,732	\$ 7,031,031	\$ 124,234	\$ (1,000,009)	\$ 7,331,988

SCHEDULE 2

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	University of Southern Mississippi Research Foundation, Inc.	Pinion Properties, LLC	Waterborne	Eliminations	Consolidated
REVENUES, GAINS AND OTHER SUPPORT					
Rental revenues	\$ -	\$ 1,295,735	\$ -	\$ -	\$ 1,295,735
Research contract revenue	84,676	-	-	-	84,676
Contributed support	140,464	-	-	-	140,464
Interest income	294	-	-	-	294
Other income	-	122,365	234,344	-	356,709
Total revenues, gains and other support	<u>225,434</u>	<u>1,418,100</u>	<u>234,344</u>	<u>-</u>	<u>1,877,878</u>
EXPENSES					
Program services:					
Research contracts, The University of Southern Mississippi	74,065	-	-	-	74,065
Scholarships, grants, and awards	25,146	-	7,800	-	32,946
Waterborne symposium	-	-	307,722	-	307,722
Supporting services:					
Management and general	181,176	-	11,709	-	192,885
Rental expenses	-	1,160,024	-	-	1,160,024
Total expenses	<u>280,387</u>	<u>1,160,024</u>	<u>327,231</u>	<u>-</u>	<u>1,767,642</u>
CHANGE IN NET ASSETS	(54,953)	258,076	(92,887)	-	110,236
NET ASSETS					
Beginning of year	<u>1,146,745</u>	<u>4,478,236</u>	<u>(2,082)</u>	<u>(1,000,009)</u>	<u>4,622,890</u>
End of year	<u>\$ 1,091,792</u>	<u>\$ 4,736,312</u>	<u>\$ (94,969)</u>	<u>\$ (1,000,009)</u>	<u>\$ 4,733,126</u>

SCHEDULE 3

THE UNIVERSITY OF SOUTHERN MISSISSIPPI RESEARCH FOUNDATION, INC.

**CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program Services	Supporting Services		Total
		Management and General	Rental	
Accounting	\$ -	\$ 19,000	\$ -	\$ 19,000
Advertising	-	2,000	-	2,000
Bank charges	-	6,458	-	6,458
Computer and internet	-	-	2,501	2,501
Consulting fees	-	-	5,047	5,047
Depreciation and amortization	-	5,963	248,326	254,289
Dues and subscriptions	-	-	1,000	1,000
Insurance	-	1,896	117,416	119,312
Interest expense	-	-	104,077	104,077
Legal and professional fees	-	2,722	3,537	6,259
Meals and entertainment	-	-	42	42
Miscellaneous	-	-	1,876	1,876
Office expense	-	1,010	2,032	3,042
Pest control	-	-	6,226	6,226
Postage	-	-	148	148
Rental expense	-	95	-	95
Repairs and maintenance	-	-	91,207	91,207
Research contracts	74,065	-	-	74,065
Salaries	-	135,273	97,939	233,212
Scholarships and awards	32,946	-	-	32,946
Symposium	307,722	-	-	307,722
Taxes, payroll	-	-	4,697	4,697
Taxes, property	-	-	103,761	103,761
Travel and meetings expense	-	18,468	208	18,676
Uniforms	-	-	2,733	2,733
Utilities	-	-	367,251	367,251
	<u>\$ 414,733</u>	<u>\$ 192,885</u>	<u>\$ 1,160,024</u>	<u>\$ 1,767,642</u>