UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON GOVERNANCE
COMMITTEE MINUTES
March 27, 2014
Time Convened: 10:35 a.m. EDT
Time Adjourned: 11:48 a.m. EDT
Warrington Conference Room, Emerson Alumni Hall,
University of Florida, Gainesville, Florida

1.0 Call to Order and Welcome
Committee Chair, David M. Thomas called the meeting to order at 10:35 a.m. EDT.

Committee Members present:
All committee members were present: David M. Thomas (Chair), C. David Brown, II, Susan M. Cameron, James W. Heavener, Carolyn K. Roberts, Juliet M. Roulhac, and Steven M. Scott.

Others present:
Others present were President J. Bernard Machen, Vice President and General Counsel Jamie Lewis Keith, Senior Vice President and Chief Operating Officer/President of the University of Florida Development Corporation, Winfred Phillips, Ed Poppell of the University of Florida Development Corporation, Vice President for Research/President of the University of Florida Research Foundation, David Norton, Interim President and Chief Operating Officer, University of Florida Investment Corporation, Edward Kelly, members of the President’s Cabinet, Senior University Counsel Michael Ford, Executive Assistant Rebecca Holt, members of the University of Florida Community, and other members of the public and the media.

2.0 Verification of Quorum
After a roll call, a quorum was confirmed, with all members present.

3.0 Review and Approval of Minutes
The Committee Chair asked for a motion to approve the minutes of the December 5, 2013 meeting, which was made by Trustee Roulhac and Seconded by Trustee Scott. The Chair asked for further discussion, after which he asked for all in favor of the motion and any opposed, and the motion was approved unanimously.
4.0 Action Items
There were no action items to be discussed.

The following Discussion/Informational Items were addressed by the Committee:

5.0 Discussion/Informational Items

5.1 Category 1 Affiliate Presentations
Chair Thomas noted that as part of the Committee’s affiliate governance oversight, the Committee had a presentation from Vice President and General Counsel Jamie Lewis Keith last March on UF’s oversight controls for Direct Support Organizations (DSOs) and other affiliates. Slides from that presentation were distributed to all Trustees. The Committee determined that UF oversight is good and governance controls are in place. A UF Trustee already serves on the Board of each of the most substantial and complex DSOs and affiliates. However, the Committee decided to meet with each of the 8 most substantial and complex DSOs and affiliates beginning in March 2014 to determine whether or not meetings with the Governance Committee would significantly enhance oversight. The DSOs and affiliates are separate private tax-exempt entities that support UF’s mission, and the UF Board of Trustees is not duplicating or micro-managing what their board does, just fulfilling the UF Board’s oversight responsibilities.

The first three most complex DSOs and affiliates made presentations and their slides have been uploaded to BoardVantage for all Trustees.

- The University of Florida Development Corporation (UFDC) was represented by its President, Winfred Phillips, and its Innovation Square Development head, Ed Poppell. UF Board Chair C. David Brown, II is also UFDC’s Board Chair.

- The University of Florida Investment Corporation (UFICO) was represented by its Interim President and Chief Operating Officer, Edward Kelly. Andrew Banks is its Board Chair and James W. (Bill) Heavener is the newly appointed UF Trustee on UFICO’s Board.

- The University of Florida Research Foundation (UFRF) was represented by its President, UF’s Vice President for Research, David Norton. UF President Machen chairs the UFRF Board and Trustee Carolyn K. Roberts is the UF Trustee on UFRF’s Board.

Prior to the meeting, each DSO and affiliate completed a governance survey, and these surveys were included in the Governance Committee Board materials for the meeting. General Counsel Jamie Keith also noted that the Board’s Audit Committee reviews summaries and reports of the DSOs’ and affiliates’ audits and management responses and the Finance and Facilities Committee reviews DSO and affiliate financials as part of UF’s financial reporting. The presentations focused on each DSO or affiliate’s mission and relationship to UF’s mission; its notable accomplishments over the last five years; its major strengths and opportunities, as well as strategies to ensure awareness of challenges; and its short and long-term goals and approach to performance metrics. The Committee asked questions to confirm identification of areas
warranting compliance focus and sound compliance approaches. The Committee also asked questions related to understanding each entity’s board and management governance. In future presentations, Committee Chair Thomas asked for a slide on compliance systems.

5.2 Update on Directors and Officers Insurance

General Counsel Jamie Keith provided an update on Directors and Officers insurance.

- The Governance Committee had concurred with the President that Directors and Officers insurance (at a premium of $60,000/year) isn’t needed unless required by a Trustee’s employer to approve service on the UF Board.
- That need for D&O insurance doesn’t presently exist and we are not planning to renew the policy.
- The Bylaws’ mandatory indemnification and UF’s financial status, would allow us to cover certain fiduciary duty and contractual liabilities, the main areas where our protection for sovereign immunity may not suffice.
- Insurance doesn’t cover intentional misconduct or criminal acts anyway and also doesn’t cover contractual liability unless the University purchases an endorsement and collects and provides data on contracts that would be impractical. UF’s Board doesn’t typically approve individual contracts.

5.3 Update on DSO Insurance Review

General Counsel Jamie Keith updated the Committee on the affiliated organization insurance review. She advised that Senior University Counsel Mike Ford has completed an insurance survey process with UF’s DSOs and affiliates, aided by the Self Insurance Program and staff who work on insurance at the University Athletic Association and University of Florida Foundation. The plan is to use an independent insurance consultant to undertake a focused review of the adequacy of insurance carried by the DSOs and affiliates that have not already done an insurance review and would benefit from that review. The consultant is Thomas Atkins, whose firm does not write or broker insurance and has advised the University of Florida Foundation and many universities and foundations around the country. The cost of the review will not exceed $20,000, to be funded by the Board’s budget, and the goal is to provide the advice to the DSOs and affiliates and report back to the Committee at its June meeting that this has been done.

6.0 New Business

There was no New Business to discuss.

7.0 Adjournment

After asking for any further discussion and hearing none, Chair Thomas asked for a motion to adjourn, which was made by Trustee Roberts and a second which was made by Trustee Cameron, and, with no further discussion desired, the motion was passed unanimously and the Governance Committee meeting was adjourned at 11:48 a.m. EDT.
The University of Florida Development Corporation

Mind to Market
Critical Dates

• UF Development Corporation – DSO established March 2011
• Master Plan for Innovation Square – 2011
• Marketing Plan – 2011
• Development Guidelines - 2012
• First Meeting of DSO – March 2012
• Transfer of Land to Innovation Square – August 2012
the vision
urban living
create jobs
community synergy
encourage commercialization of research
grow the economy
25 acres
8 buildings
new reality

- instruction
- research
- service

economic development
innovation hub at university of florida
facilities under design

office
building

SIGNET
DEVELOPMENT
facilities under design

infinity hall
May 2014 groundbreaking!
graduate housing

90% occupied
luxury apartments

January 2015 start
grocery / hotel
Mindtree is a global information technology consulting firm specializing in corporate IT services and solutions.
Mobiquity provides Global 2000 organizations with a unique range of services to conceive, execute and deliver impactful Mobile Computing solutions.
CurtCo Media Labs, LLC, is an American media company which publishes various magazines.
Azalea Health provides healthcare management and medical billing software solutions.
Zeeko Ltd. is a UK-based technology company with Ultra-Precision Polishing Solutions for Optics and other Surfaces. Zeeko specializes in the development, manufacturing, and commercializing of High Precision Polishing Machines and are considered a world leaders in precision optics polishing technology.
“A precise, natural, sustainable treatment that aids wound bed preparation towards wound healing.”
• US retailers report losing over $45 billion annually in addition to robberies, burglaries, hijacking, cybercrime, and formed the LPRC in 2000 to bring them together and conduct rigorous crime and loss prevention R&D and evaluation research.

• The Loss Prevention Research Council (LPRC) conducts research to develop crime and loss control solutions to improve member and the industry performance.
Q & A

ED POPPELL
UF Development Corporation
352-294-2726
poppell@ufl.edu
Presentation
for the
Governance Committee
of the
University of Florida
Board of Trustees
March 27, 2014
UFICO Overview

- Established in June 2004 by the UF Board of Trustees

- UFICO Mission:
  To promote the educational and research purposes of UF by providing investment research, advise and management services to UF and its affiliated organizations.

- Key objectives for creating UFICO included:
  1. To separate the investment management role from the fund raising and administrative functions of the University.
  2. To allow for the aggregation of the investable assets from all UF affiliates to generate economies of scale and enable better access to top-tier investment funds.
  3. To improve investment performance.
Objective #1 – Segregation of duties to enable a core focus

- The Separate Investment Management Company Structure is Based on Industry Best Practices

- UFICO Modeled after Industry Peers:
  - DUMAC
  - Harvard Management Company
  - UNC Management Company
  - UTIMCO
  - Best Practices from the Private Investment “Fund of Funds” Industry

- Key Strengths of the UFICO Organizational Structure:
  1. Professionally Staffed
  2. UFICO Investment Funds
  3. Robust Governance & Strong Board w/ Investment Professionals
Professionally Staffed

President and Chief Investment Officer
Ed Kelly – Interim President

Kim Doak
Office Manager and Assistant to the CIO

Edward Kelly
Chief Operating Officer

Jimmy Humphries, CPA
Controller

Richard Ritari, CPA
Accounting Manager & IT Administrator

Jennifer Purdee
Accounting Assistant

Peter Landauer, CFA
Director of Private Investments

William Twible, CFA
Senior Investment Analyst

Ethan Ulm
Investment Analyst

Student Analyst Intern
(part-time rotating position)

Rakesh Dahiya, CFA
Director of Marketable Strategies

Brian Mawdsley, CFA
Senior Investment Analyst

Student Analyst Intern
(part-time rotating position)

(Hiring)
Investment Analyst

Search in Process

Interviewing

March 27, 2014
UFICO Staff report to a 13 member Board of Directors separate from the University of Florida.

Although independent, the UFICO Board is controlled by the UF President.

The Board’s responsibilities include:

- Setting long-term strategic asset allocation policy;
- Approving short-term tactical asset allocation shifts;
- Approving investments larger than 3% of pooled assets; and
- Approving UFICO’s operating budget.

The Board meets quarterly to review recent and prospective investments and to review tactical asset allocation.
UFICO Board of Directors

Strong Board with Deep Investment Experience:

**Appointed Directors**
- S. Andrew Banks – Chairman
- David T. Brown
- Troy M. Davis (term expiring in July)
- Doug Free
- Robert H. Gidel
- Eric Mandelblatt
- Alan S. Pareira
- Rebecca Patterson
- Alex C. Smith

**Ex-Officio Directors**
- Matthew M. Fajack – VP & CFO of UF
- Thomas J. Mitchell – VP for Development and Alumni Affairs
- Winfred M. Phillips – SVP & COO of UF
- William J. Robinson – CFO of Shands
- James W. Heavener – Representative from the UF Board of Trustees
Objective #2 – Economies of scale

- 15 investment portfolios
- Nine investors
- $2.6 B assets under management

As of February 28, 2014
All values in $ 000’s
Objective #3 – Investment Performance

**Key Performance Metrics:**

- Risk adjusted Returns
- **UFICO Policy Benchmark** – A passive index representing UFICO’s strategic asset allocation
- **Peer Group** – A custom group of colleges & universities with similar asset sizes and investment objectives
- **CPI +4.7% Benchmark** – A long-term measure of the purchasing power of the Endowment
Risk / Return Mandate

Risk / Return

Return

Risk

Diversified Index Portfolio

Bonds

Stocks

6.0% 6.5% 7.0% 7.5% 8.0% 8.5% 9.0% 9.5% 10.0% 10.5%

3% 5% 7% 9% 11% 13% 15% 17% 19%

March 27, 2014
Pre-UFICO Performance

Risk / Return
8 Year Period ended 6/30/2004

Return

Risk

- Agg Bond
- UF
- Policy
- S&P 500
UFICO Performance

Risk / Return
UFICO Inception* to 12/31/2013

- Return
- Risk

UFICO Inception date is 7/1/2004

* UFICO Inception date is 7/1/2004
UFICO Performance

Periods Ending
December 31, 2013

* Cambridge Custom Peer Group

* UFF Endowment
* Policy Benchmark
* Cambridge Median*

* Cambridge Custom Peer Group
UFICO Performance

Purchasing Power
UFICO Inception* to 12/31/2013

*UFICO Inception Date = 7/1/2004
University of Florida Research Foundation, Inc. (UFRF)

David P. Norton
UF Vice President for Research
President, UFRF
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>J. Bernard Machen</td>
<td>UF President</td>
</tr>
<tr>
<td>David Norton</td>
<td>UF Vice President for Research</td>
</tr>
<tr>
<td>Carolyn Roberts</td>
<td>UF Board of Trustees</td>
</tr>
<tr>
<td>David S. Guzick</td>
<td>UF Sr. Vice President for Health Affairs</td>
</tr>
<tr>
<td>Jack Payne</td>
<td>UF Sr. Vice President for Agriculture and Natural Resources</td>
</tr>
<tr>
<td>Joseph Glover</td>
<td>UF Sr. Vice President for Academic Affairs and Provost</td>
</tr>
<tr>
<td>Curtis Reynolds</td>
<td>UF Vice President for Business Affairs</td>
</tr>
<tr>
<td>Cammy Abernathy</td>
<td>Dean, UF College of Engineering</td>
</tr>
<tr>
<td>Paul D’Anieri</td>
<td>Dean, UF College of Liberal Arts and Sciences</td>
</tr>
<tr>
<td>John Kraft</td>
<td>Elected</td>
</tr>
<tr>
<td>Joelen Merkel</td>
<td>Elected</td>
</tr>
<tr>
<td>Brian K. Hutchison</td>
<td>Elected</td>
</tr>
</tbody>
</table>
Key Management Personnel

- David Norton  President
- Mike McKee  Treasurer
- David Day  Director, Tech Licensing
- George Kolb  Secretary
Mission of the UFRF

• The University of Florida Research Foundation, Inc. (UFRF) was established as a not-for-profit direct support organization in 1986 to promote, encourage and provide assistance to the research activities of the University faculty, staff and students.

• Assists the University of Florida in the funding of research and development through research awards, grants, and other contractual arrangements
  – all grant and contract agreements are between the external sponsor and UF
  – UFRF direct support is through royalty income and investments

• Assists in the commercialization of intellectual properties, which include inventions, discoveries, processes and work products.
Supporting the Commercialization of Intellectual Property

- When inventions and other intellectual property of the University are commercialized through UFRF, the net proceeds are distributed pursuant to the University’s Intellectual Property Policy*
  - 40% individual Creator(s)
  - 10% Program(s)
  - 7 ½% Creator(s)’s department
  - 7 ½% Creator(s)’s college
  - 35% UFRF

(* Net Adjusted Income over $500K follows a slightly modified distribution formula)
• Proceeds distributed to UFRF are reinvested in further research and commercialization efforts.
  – Supports the institutional research mission by providing strategic investments in critical and promising research endeavors that enable the University to develop creative breakthroughs and discover new possibilities.
  – Supports the institution’s service mission by continuously looking for ways to share the benefits of these research discoveries for the public good.
Contributions to UF Mission

• In FY 2013, the UFRF provided the University over $8M to promote, support, and encourage institutional research activities
  – Clinical and Translational Science Institute (CTSI)
  – faculty startup support
  – Research Professorship awards
  – research infrastructure support
  – other strategic research support.

• UFRF also provided over $4M to advance commercialization efforts designed at bringing more intellectual property to market, so that income from those discoveries can be reinvested in additional research.
Notable contributions over past 5 years

• UFRF has provided $40M in research and development support to the University over the past five years
  – $23M in matching support for CTSI
  – Contributions toward the UF Research and Academic Center in Lake Nona, Innovation Hub, Big Data, Gran Telescopio Canarias, UFRF Professorship awards, and many faculty startup and equipment support packages.
Major strengths, opportunities and challenges

• Strengths
  – future royalty stream is projected to be fairly stable; all remaining bond debt to be paid off 09/2014

• Opportunities
  – growing portfolio of intellectual property available for commercialization

• Challenges
  – Royalty income is heavily dependent on Gatorade given the loss of license royalties for Trusopt due to patent expiration.
  – Investment returns are a significant factor in UFRF’s ability to continue current level of support to UF.
Key Goals and Metrics Going Forward

• Continue to return at least $8M/yr in Research and Development awards to UF
• Achieve average annual growth of 3% in Total Unrestricted Net Assets
### UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INC.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN NET POSITION**

**FOR SIX MONTHS ENDED December 31, 2013**

<table>
<thead>
<tr>
<th></th>
<th>Budget 2013-2014</th>
<th>Actual through 12/31/2013</th>
<th>% of Budget</th>
<th>Actual through 12/31/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Royalties</td>
<td>$20,500,000</td>
<td>$10,431,765</td>
<td>50.9%</td>
<td>$11,524,037</td>
</tr>
<tr>
<td>Licensing Fees and Options</td>
<td>1,500,000</td>
<td>1,452,200</td>
<td>98.8%</td>
<td>375,189</td>
</tr>
<tr>
<td>Reimbursements of Litigation, Patent &amp; Licensing Costs</td>
<td>3,700,000</td>
<td>1,843,555</td>
<td>49.8%</td>
<td>1,679,177</td>
</tr>
<tr>
<td>Miscellaneous Operating Income</td>
<td>15,000</td>
<td>15,433</td>
<td>102.9%</td>
<td>15,424</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$25,715,000</td>
<td>$13,772,962</td>
<td>53.8%</td>
<td>$13,589,827</td>
</tr>
</tbody>
</table>

| **Costs of Royalties, Licenses and Grants** |                  |                          |             |                          |
| Inventors' Allocations               | $2,050,000      | $1,273,064              | 62.1%       | $1,143,901              |
| Inventors' Department Allocation    | 11,057,500      | 5,571,287              | 50.4%       | 6,008,286               |
| Inventors' College Allocation       | 168,750         | 175,761                | 104.2%      | 63,091                  |
| Inventors' Program Allocation       | 225,050         | 196,765                | 87.4%       | 79,276                  |
| Patent & Licensing Costs            | 3,200,000       | 1,842,948              | 35.4%       | 1,639,755               |
| **Total Costs of Licenses and Grants** | ($18,701,300) | ($9,059,845)            | 48.4%       | ($8,934,309)            |

**Net Operating Revenues**

$7,013,700

-4,713,117

67.2%

$4,655,518

| **Expenses**            |                  |                          |             |                          |
| **Operating Expenses**  |                  |                          |             |                          |
| Research and Development Awards |                  |                          |             |                          |
| Strategic Plans         | $2,500,000       | $288,637                | 11.5%       | $1,241,447              |
| IAUC                   | 5,000            | 2,120                   | 42.4%       | 2,474                   |
| IRB                    | 17,000           | 7,775                   | 45.7%       | 9,175                   |
| N.I.H. - Clinical and Translational Science Institute (CTSI) | 2,700,000 | 965,195                | 20.9%       | 723,443                 |
| Animal Resources Capital Improvements - Health Center | 500,000 | 0                  | 0%          | 0                       |
| Professorship Awards   | 650,000          | 0                       | 0%          | 0                       |
| Gatorade Research Allocations | 1,800,000 | 444,173                | 24.7%       | 151,648                 |
| Research Travel        | 50,000           | 0                       | 0%          | 0                       |
| Litigation Costs       | 1,400,000        | 416,053                 | 29.7%       | 87,423                  |
| Other Program Support  | 1,075,000        | 43                      | 0%          | 1,441,967               |
| **Total Research and Development Awards** | ($10,887,000) | ($1,723,969)            | 16.1%       | ($3,637,277)            |

<p>| <strong>Technology License Expense</strong> |                  |                          |             |                          |
| Salary Expenditures      | 1,960,000        | 934,438                 | 47.7%       | 878,364                 |
| Commercialization Fund   | 250,000          | 120,343                 | 48.1%       | 84,630                  |
| Membership Dues          | 7,000            | 6,439                   | 92.0%       | 6,136                   |
| Office Expenditures      | 27,500           | 3,780                   | 13.7%       | 6,055                   |
| Marketing                | 113,450          | 47,822                  | 42.2%       | 15,791                  |
| Moving Expenditures      | 10,000           | 4,252                   | 42.5%       | 0                       |
| Travel                   | 87,000           | 19,946                  | 29.8%       | 36,261                  |
| Postage/Shipping         | 10,000           | 2,896                   | 29.0%       | 2,079                   |
| Executive In-House Residency Program | 50,000 | 0                  | 0%          | 0                       |
| Subscriptions and Books  | 1,000            | 125                     | 12.5%       | 0                       |
| Training                 | 1,000            | 0                       | 0%          | 0                       |
| Bad Debt Write Off       | 0                | 0                       | 0%          | 0                       |
| Royalty &amp; License Income | 0                | 0                       | 0%          | 0                       |
| Bad Debt Write Off       | 0                | 218,477                 | 77,945      | 0                       |
| Legal Receivable         | 0                | 0                       | 0%          | 0                       |
| <strong>Total Technology License Expense</strong> | ($2,496,950) | ($1,398,518)            | 56.5%       | ($1,767,261)            |</p>
<table>
<thead>
<tr>
<th>Other Operating Expenses</th>
<th>Budget 2013-2014</th>
<th>Actual through 12/31/2013</th>
<th>% of Budget</th>
<th>Actual through 12/31/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Reimbursement</td>
<td>615,000</td>
<td>257,838</td>
<td>41.9%</td>
<td>250,958</td>
</tr>
<tr>
<td>Audit fees</td>
<td>40,000</td>
<td>27,000</td>
<td>67.5%</td>
<td>27,000</td>
</tr>
<tr>
<td>University Overhead Assessment RCM</td>
<td>360,000</td>
<td>375,049</td>
<td>104.2%</td>
<td>0</td>
</tr>
<tr>
<td>Computer Equipment &amp; Supplies</td>
<td>195,000</td>
<td>38,023</td>
<td>19.5%</td>
<td>44,256</td>
</tr>
<tr>
<td>Research Publications</td>
<td>280,000</td>
<td>45,919</td>
<td>16.3%</td>
<td>43,227</td>
</tr>
<tr>
<td>Institutional Memberships Dues &amp; Subscriptions</td>
<td>40,000</td>
<td>11,786</td>
<td>29.5%</td>
<td>9,720</td>
</tr>
<tr>
<td>Insurance</td>
<td>35,000</td>
<td>27,209</td>
<td>77.7%</td>
<td>27,667</td>
</tr>
<tr>
<td>Legal Fees (non-DTL)</td>
<td>25,000</td>
<td>0</td>
<td>0.0%</td>
<td>11,110</td>
</tr>
<tr>
<td>Office Expenditures and Supplies</td>
<td>10,000</td>
<td>1,547</td>
<td>15.5%</td>
<td>1,342</td>
</tr>
<tr>
<td>Travel &amp; Events</td>
<td>10,000</td>
<td>809</td>
<td>8.1%</td>
<td>1,175</td>
</tr>
<tr>
<td><strong>Total Other Operating Expenses</strong></td>
<td>(1,610,000)</td>
<td>(794,780)</td>
<td>48.7%</td>
<td>(416,455)</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>(14,803,950)</td>
<td>(3,907,294)</td>
<td>26.4%</td>
<td>(5,180,993)</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>(7,790,250)</td>
<td>805,923</td>
<td>10.3%</td>
<td>(525,475)</td>
</tr>
<tr>
<td><strong>Nonoperating Revenues (Expenses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income (Loss)</td>
<td>3,520,000</td>
<td>2,972,314</td>
<td>84.4%</td>
<td>1,034,077</td>
</tr>
<tr>
<td>Unrealized Gain (Loss)</td>
<td>4,388,848</td>
<td>2,599,793</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Expense</td>
<td>(700,000)</td>
<td>(301,637)</td>
<td>43.0%</td>
<td>(352,246)</td>
</tr>
<tr>
<td>Unexpended Program Support Returned to Sponsor</td>
<td>13,803</td>
<td>340,184</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orthopedics Expenses</td>
<td>(225,000)</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bond Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonding Costs</td>
<td>(2,500)</td>
<td>(2,500)</td>
<td>100.0%</td>
<td>(2,500)</td>
</tr>
<tr>
<td>Bond Interest Expense</td>
<td>(342,839)</td>
<td>(174,500)</td>
<td>50.0%</td>
<td>(713,400)</td>
</tr>
<tr>
<td>Bond Amortization Expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessment Income for Bond Payments</td>
<td>2,300,000</td>
<td>2,300,000</td>
<td>100.0%</td>
<td>2,300,000</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>4,797</td>
<td>131,727</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues (Expenses)</strong></td>
<td>4,774,662</td>
<td>8,076,725</td>
<td>188.5%</td>
<td>6,237,635</td>
</tr>
<tr>
<td><strong>(Loss) Income Before Transfers</strong></td>
<td>(3,015,588)</td>
<td>9,782,548</td>
<td>324.4%</td>
<td>5,712,160</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>(3,015,588)</td>
<td>9,782,548</td>
<td>324.4%</td>
<td>5,712,160</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Assets Beginning of Year</td>
<td>91,579,839</td>
<td>91,579,838</td>
<td></td>
<td>88,585,011</td>
</tr>
<tr>
<td>Net Assets End of Year</td>
<td>88,564,251</td>
<td>101,362,386</td>
<td></td>
<td>94,297,171</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Designated Net Assets:</th>
<th>Actual through 12/31/2013</th>
<th>Actual through 12/31/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gatorade</td>
<td>56,524,129</td>
<td>49,327,599</td>
</tr>
<tr>
<td>Orthopedics Balance</td>
<td>2,757,388</td>
<td>3,031,022</td>
</tr>
<tr>
<td>Bond Repayment Fund.</td>
<td>0</td>
<td>4,692,129</td>
</tr>
<tr>
<td>Clinical Science Translation Institute Commitment Balance</td>
<td>12,735,657</td>
<td>15,121,831</td>
</tr>
<tr>
<td>Strategic Initiative Commitment Balance</td>
<td>2,038,000</td>
<td>1,462,500</td>
</tr>
<tr>
<td><strong>Total Designated Net Assets</strong></td>
<td>$ 74,055,174</td>
<td>$ 73,635,081</td>
</tr>
<tr>
<td><strong>Total Undesignated Net Assets</strong></td>
<td>$ 27,307,212</td>
<td>$ 20,662,090</td>
</tr>
<tr>
<td><strong>Net Assets End of Year</strong></td>
<td>$ 101,362,386</td>
<td>$ 94,297,171</td>
</tr>
</tbody>
</table>